



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Joseph Horwedel

SUBJECT: SEE BELOW

DATE: 11-21-06

Approved

Ray Wines

Date

11/22/06

COUNCIL DISTRICT: 5, 7, & 8

SNI AREA: West Evergreen,
K.O.N.A., &
East Valley/680

SUBJECT: PUBLIC HEARING ON AN APPEAL OF THE PLANNING COMMISSION'S CERTIFICATION OF THE FINAL ENVIRONMENTAL IMPACT REPORT (FEIR) FOR THE EVERGREEN EAST HILLS VISION STRATEGY for an update to the Evergreen Development Policy, a Funding Agreement, General Plan Land Use/Transportation Diagram and Text Amendments, an amendment to Council Transportation Impact Policy 5-3 to designate Capitol Avenue/Capitol Expressway intersection as a "protected intersection", establishment of a traffic impact fee, and future Planned Development Rezonings to allow between 3,600 and 5,700 dwelling units, up to 500,000 square feet of commercial, up to 75,0000 square feet of office, up to 4.66 million square feet of campus industrial, and various transportation improvements and community amenities within the Evergreen Development Policy area. (SCH # 2005102007)

RECOMMENDATION

The Director of Planning, Building and Code Enforcement recommends the City Council adopt a resolution to certify:

1. The City Council has read and considered the Final EIR;
2. The Final EIR has been completed in compliance with the California Environmental Quality Act (CEQA); and
3. The Final EIR reflects the independent judgment and analysis of the City of San Jose.
4. The Director of Planning, Building and Code Enforcement shall transmit copies of the Final EIR to the Applicant and to any other decision-making body of the City of San Jose for the project.

OUTCOMES

Rejection of the appeals and certification of the EIR will allow the City Council to consider all the actions related to the Evergreen•East Hills Vision Strategy.

BACKGROUND

CEQA Requirements for Certification of an EIR

The California Environmental Quality Act (CEQA) Guideline §15090 requires, prior to approving a project, the lead agency to certify that (1) the Final EIR has been completed in compliance with CEQA, (2) the final EIR was presented to the decision-making body of the lead agency and the decision-making body reviewed and considered the information contained in the Final EIR before approving the project, and (3) the Final EIR reflects the independent judgement and analysis of the lead agency.

For additional background regarding the Draft EIR, and First Amendment, see the attached memorandum from Joseph H. Horwedel dated November 1, 2006 to the Planning Commission.

On November 8, 2006, the Planning Commission held a public hearing on the Final EIR for the EEHVS. After public testimony and discussion, the Planning Commission (6-0-1, Zito abstain) certified the Final EIR.

Appeal of an EIR

When an EIR is certified by a non-elected decision-making body with the local lead agency, that certification may be appealed to the local lead agency's elected decision-making body. On November 13, 2006, the Evergreen Elementary School District, the Mount Pleasant School District, and Shapell Industries filed timely appeals. San Jose Municipal Code (SJMC) Chapter 21.07 requires the Director of Planning, Building and Code Enforcement to schedule a noticed public hearing on a timely appeal of the Commission's certification of the Final EIR before the City Council. The certification appeal hearing of the City Council is denovo, which means that the Council is required to hear the matter in its entirety as though it was not heard before. The City Council may hear the appeal of the certification concurrently with the project. Upon conclusion of the certification appeal hearing, the City Council may find that the Final EIR has been completed in compliance with the requirements of CEQA. If the City Council makes such a finding, it shall uphold the Commission's certification of the Final EIR and it may then immediately act on the project associated with the Final EIR. If the City Council finds that the Final EIR has not completed in compliance with CEQA, the Council must require the Final EIR to be revised and it may not take any action on the project. All decisions of the City Council are final.

ANALYSIS

The attached letters, received from the commenting school districts and Shapell Industries, constitute formal appeals of the Planning Commission's certification on November 8, 2006 of the Final EIR for the Evergreen East Hills Vision Strategy and related discretionary actions. The three appeals and the City of San Jose's responses are discussed below.

1. **Evergreen Elementary School District, dated November 6, 2006, and the Mount Pleasant School District, dated November 7, 2006.**

RESPONSE TO APPEAL OF EIR: The following are responses to both of the aforementioned school districts, which question the validity of the EEHVS Final EIR on three basic premises; 1) student generation rates analyzed, 2) adequacy of mitigation proposed for schools, and 3) adequacy of mitigation for impacts to parks and recreation.

Comment A-1:

The EIR is inadequate because it utilized the wrong student generation rates and, therefore, it understated the impact of the project on schools.

Response A-1:

As stated in Section 5.3 of the Draft EIR, and as reiterated in Response 12-C of the First Amendment, the projection of students to be generated by the proposed housing was based on generation rates provided to the City by the school districts at the time of Draft EIR preparation. Based upon those generation rates, the total number of additional students that would attend Evergreen and Mount Pleasant schools was calculated, see Tables 60 and 61, pages 304 and 305 of the Draft EIR, respectively. The analysis in the Draft EIR concluded that new school facilities would be needed to accommodate the additional students in both the Evergreen and Mount Pleasant School Districts.

Specifically, in the Evergreen Elementary School District, under Scenarios II-VI, development of the Arcadia property would necessitate the construction of a new K-6 school, and development of the Berg/IDS/Legacy site would necessitate a new K-8 school. Development of the Evergreen Valley college site would add students to nearby Laurelwood and/or Evergreen Elementary Schools, and require additional classrooms, but not construction of a new school. Middle school enrollment would also increase from development of the above-described sites, and would exceed the capacity of nearby middle schools.

Specifically, in the Mt. Pleasant Elementary School District, under Scenarios II-VI, development of the Pleasant Hills Golf Course property would necessitate the construction of a new school.

The appellants, after circulation of the Draft EIR, reconsidered the student generation rates initially provided to the City, and now request that impacts be recalculated using the generic student generation rates of the California Office of Public School Construction and/or generation

rates derived from a study undertaken for the Alum Rock School District, both of which are higher than the rates previously provided to the City by the Evergreen and Mount Pleasant School Districts. The appellants provide no data using the actual demographics from within these two districts that would provide a factual basis for concluding that the original rates supplied to the City by the districts themselves are inaccurate.

The above paragraph notwithstanding, the City notes that the use of higher student generation rates requested by the appellants would not have changed the conclusion of the Draft EIR, which is that new school facilities in both the Evergreen (new K-6, new K-8, and additional classrooms at Laurelwood Elementary), and Mount Pleasant School Districts (new elementary school) will be required using either rates provided by the Districts, to accommodate the students generated by the EEHVS.

Comment A-2:

The EIR is inadequate because the mitigation for impacts on schools is insufficient and the EEHVS will result in a significant, unmitigated impact to the two school districts, and therefore the EIR must be re-circulated to identify additional mitigation.

Response A-2:

As explained in the Master School Response (see pages 7-8 of the First Amendment), in 1998 California voters passed Proposition 1A, a \$9.2 billion statewide school bond measure that was also linked to legislation enacted in 1998 that significantly limited the application of CEQA with regard to the treatment of schools impacts and mitigation. Specifically, the legislation, codified as California Government Code Sections 65995-65998, sets forth provisions for the payment of school impact fees by new development as the exclusive means of “considering and mitigating impacts on school facilities that occur or might occur as a result of any legislative or adjudicative act, or both, by any state or local agency involving, but not limited to, the planning, use, or development of real property.” [§65996(a)]. The legislation goes on to say that the payment of school impact fees “are hereby deemed to provide full and complete school facilities mitigation” under CEQA. [§65996(b)].

As further explanation, the following excerpt from “Practice under the California Environmental Quality Act”, a manual published for the State Bar of California is provided:

The statutes also significantly limit the application of CEQA to school facilities impact issues. The fees set forth in Govt C §65996 constitute the exclusive means of both “considering” and “mitigation” school facilities impacts of projects. Govt C §65996(a). The provisions of the 1998 legislation are “deemed to provide full and complete schools facilities mitigation.” Govt C §65996(b).

In the authors' view, because the statute states that the statutory fees are the exclusive means of considering as well as mitigating school impacts, it does not just limit the mitigation that may be required, but also limits the scope of review and the findings to be adopted for school impacts. Consistent with this view:

- Once the statutory fee is imposed, the impact should be determined to be mitigated because of the provision that the statutory fees constitute full and complete mitigation. Govt C §65995(b).
- It should not be necessary to adopt a statement of overriding considerations for school facilities impacts when the statutory fee is assessed, because the impact is deemed as a matter of law to be adequately mitigated. Govt C §65995(b).

The appellants cite no evidence that would support an alternate interpretation or application of this legislation.

According to the Evergreen School District appeal letter the projected school impact fees from development within the Evergreen School District would be approximately \$19.5 million. The Mount Pleasant School District has not provided an estimate of anticipated school impact fee revenue anticipated to result from the development proposed within its boundaries.

It should be noted that in November 2006, California voters approved Proposition 1D, which authorizes \$1.9 billion for new K-12 school construction among other school funding through approval of this bond measure. It should also be noted, voters in the Evergreen Elementary School District approved Measure I, a \$150 million bond measure for school facilities construction. The fast-growing school district would use these funds to add wings to existing schools and build two new campuses.

Finally, the City notes that the appellants' protest letters specifically acknowledge the above-described legislation. The letters then proceed to cite other sections of the CEQA Guidelines to bolster their argument that the payment of school impact fees is inadequate mitigation. However, the referenced sections are not applicable to the subject of school facilities impacts because they have been superceded by Government Code Sections 65995-65998.

Staff acknowledges that outside of the CEQA process (i.e. as a strict matter of impacts and mitigation) there is ongoing discussion and negotiation over the issue of school facilities and the need to reserve portions of two of the opportunity sites for potential new schools. This discussion has been informed by the EIR's information regarding student generation and school capacity, but its outcome is independent of the issue of the EIR's adequacy under CEQA and State Government Code Sections 65995-65998.

Comment A-3:

The EIR is inadequate because it fails to provide adequate community and recreational facilities.

Response A-3:

The appellants assert that the potential funding of various community improvement projects (e.g., parks, trails, community centers, etc.) by the EEHVS (see Draft EIR pages 56-76) does not constitute adequate mitigation for project-related impacts to park and recreation facilities.

None of these facilities are proposed as mitigation for an identified impact under CEQA. They are, instead, part of a package of community amenity projects that may receive funding as part of the project. Please refer to the explanation of these amenities, beginning on page 56 of the Draft EIR.

Apart from the community amenity projects, mitigation for the impacts of the EEHVS on park and recreation facilities is described in Section 5.4 of the Draft EIR. Such mitigation consists of the dedication of land for public parks, the payment of in-lieu fees, or both, in accordance with the City's Parkland Impact Ordinance (PIO) and Parkland Dedication Ordinance (PDO) [which are consistent with the maximum park dedication requirements allowable under California law (the Quimby Act) with authorizes a parkland dedication requirement of 3 acres per 1,000 residents]. Compliance with the PIO and PDO is the City's adopted policy and methodology for the mitigation of impacts to parks and recreation facilities.

It is acknowledged the development proposed as part of the EEHVS may provide additional community and recreational facilities that exceed the requirements of the Municipal Code, outside of the CEQA process as a strict matter of impacts/mitigations. These improvements are therefore considered potential components of the project, rather than mitigation measures for any project impacts.

2. Bingham McCutchen on behalf of Shapell Industries, dated November 8, 2006

RESPONSE TO APPEAL OF EIR:

Comment B-1:

General Plan Commercial land use policies caution against new commercial development on lands not planned for such use. The City of San Jose 2020 General Plan states that, "new commercial development is planned to take place primarily on lands already planned and zoned for this use. The amount of existing land planned and zoned for commercial use in San Jose generally fulfills this purpose." Additionally, Commercial Land Use Policy No. 2 states, "New commercial uses should be located in existing or new shopping centers or in established strip commercial areas. Isolated spot commercial developments and the creation of new strip commercial areas should be discouraged."

Response B-1:

The above comment states that the proposed project is not consistent with the General Plan Goals and Policies related to commercial land uses and is contrary to statements of consistency made the Final EEHVS EIR and therefore, constitutes environmental impacts not previously addressed in the EIR. Staff disagrees with this statement in that the project would locate new commercial development that would facilitate convenient shopping and easy access to professional services that contribute to the economic base of the City, consistent with the commercial land use goals and policies in the general plan. Specifically, the general plan amendment would increase commercial opportunities consistent with Commercial Land Use Policy No. 1 which encourages new commercial development be located near existing centers of employment or population (i.e., Evergreen Valley College). Additionally the proposed general plan amendment to change the land use designation from a public/quasi-public designation to one that would allow mixed use development with commercial uses would be consistent with general plan policies in that it would allow the location of new commercial uses adjacent to and in-between an existing shopping/retail center and the existing college site, and would not create new spot zoning or isolated strip commercial centers within single family neighborhoods and therefore, would be consistent with Commercial Land Use Policy No. 2.

Comment B-2:

The City has rejected past proposals for large-scale retail development on the college site. The development of the college site fails to meet the Evergreen East Hills project objective.

Response B-2:

These comments address issues related to City policy decisions and do not directly challenge the adequacy of the Final EEHVS EIR.

Comment B-3:

Current market studies support the City's prior rejection of large-scale retail at the college site and show that the project objectives will not be achieved, in that; (1) the proposal will result in over 30% loss to nearby retail anchor stores, (2) a new market at the college site will cannibalize sales to succeed, and (3) City sponsored study suffers from numerous flaws. Additionally, the EIR fails to analyze physical impacts caused by the project economic effects (i.e., foreseeable secondary physical impacts).

Response B-3:

The appellant, the owner of the Evergreen Village shopping center, argues that the retail commercial development proposed on the Evergreen Valley College (EVC) site, 0.6 miles away, would negatively affect the profitability of their center's Lunardi's supermarket, as well as another Evergreen area shopping center (the Cosentino's at Canyon Creek Center, 1.1 miles from EVC site). Under Scenarios II-VI, up to 100,000 square feet of retail commercial development

would be allowed, including a supermarket of up to 50,000 square feet. The appellant argues the potential new supermarket on the EVC site would 'cannibalize' other Evergreen markets' business, and that the EIR fails to adequately address impacts associated with the proposed development.

The appellant's concerns were first raised at the Planning Commission hearing November 8, 2006 to certify the EIR, effectively the end of the CEQA process. Staff noted the CEQA process had included numerous prior opportunities over the past 13 months to raise these concerns and that the appellant was introducing this issue at the 'last-minute.' The appellant was afforded an opportunity to comment in response to the Notice of Preparation sent September 29, 2005, the Public Scoping Meeting October 5, 2005, during the Draft EIR Public Review and Comment period between February 3, 2006 and March 20, 2006, at the EIR Public Meeting March 14, 2006, and in the eight months since the Draft EIR was circulated. No comments on this issue were delivered regarding the EIR until the final night of a 13 month public process. Regardless of the timing of the appellant's comments, staff believes they are without merit, and the EIR is adequate and complies with CEQA requirements for full-disclosure of direct, and reasonably-foreseeable indirect, physical changes in the environment that can be anticipated to result from the EEHVS project.

In this case, the appellant believes that foreseeable indirect (or secondary) physical impacts could be caused by economic effects of the potential EVC supermarket. The appellant alleges the development of a supermarket on the EVC site creates the potential for an indirect impact that should have been addressed in the EIR. Specifically, the appellant believes the EIR should address the potential for the physical deterioration of the existing supermarkets that they believe could result should the existing supermarkets be driven out of business, an effect termed 'urban decay'. Urban decay is an acknowledged physical environmental impact in certain rare, very limited circumstances, the most cited example being a new Wal-Mart or similar large-scale retailer driving other existing, older and smaller retailers clustered in one area out of business, and those shopping areas then declining to the point that physical deterioration of structures occurs leading to blight, which then could be considered a physical impact to the environment.

That dire, unusual situation is not expected to result in Evergreen with the addition of new retail planned at the EVC site. Commercial development proposals commonly increase competition for existing commercial uses, as is to be expected in a free market, capitalist society. CEQA does not require the City to perform an urban decay analysis for every shopping center or supermarket proposal in the City. The appellant points to market studies they commissioned, prepared by MapInfo (January 2006) and Alfred Gobar Associates (June 2005), that suggest existing market share will be captured by the potential new supermarket at the EVC site. However, there are several questions relevant to the EIR's adequacy that extend beyond whether increased competition would result from a project.

1. *Will the proposed EVC supermarket capture existing supermarkets' sales to the degree that those supermarkets will go out of business, or see their activity reduced so substantially that several smaller retailers clustered around the supermarket anchor tenants lose customers and close?*

The appellant-commissioned market studies indicate a new EVC supermarket would occur “at the expense” of the Cosentino’s and Lunardi’s markets [MapInfo, January 2006, p.3]; would result in a “substantial, potentially crippling,” decline of sales of 33% and 39%, respectively [MapInfo, January 2006, p.5] and that there is “no realistic potential for a supermarket at the College site without necessarily capturing customers currently using existing stores.”[Alfred Gobar Associates, September 15, 2006, p.3] However, neither study explicitly, and unequivocally, concludes either existing market is guaranteed to close as a result of the EVC market, nor that several smaller retailers would necessarily close.

2. *In the unlikely event that an anchor or several smaller retailers closed due to competition from the EVC supermarket, the next question is whether those vacant commercial spaces would then be unsuitable for new tenants, either due perhaps to their older, out-dated physical configurations or market conditions?*

The market studies the appellant offers don’t suggest this situation would occur. To the contrary, Alfred Gobar Associates [September 15, 2006, p.3] indicates “strong near-term potential exists” to “support a variety of non-grocery anchor store” activities at the EVC site, including

- Family Clothing (i.e. *Old Navy, Nordstrom Rack*);
- Limited Price Variety Store (i.e. *Big Lots, Dollar Tree*),
- Bedding and Housewares (i.e. *Bed-Bath-Beyond, Williams-Sonoma, Crate & Barrel*),
- Home Furnishing Stores (i.e. *Simmons Mattress, Pier 1 Imports*),
- Sporting Goods Stores (i.e. *Big 5, REI, North Face*)
- Bookstores (i.e. *Borders, Barnes & Noble*)
- Office Supply Store (i.e. *Staples, Office Max, Office Depot*)
- Misc/Specialty Stores (i.e. *Michael’s, Petco, Party City*)

Those market conditions are described as present within the Evergreen area generally, and create the potential for new non-grocery anchor tenants to occupy either existing supermarket building should Lunardi’s or Cosentino’s close due to competition from the new EVC supermarket. The market conditions are described as suitable to support 160,000 square feet of non-grocery retail anchor operations in the Evergreen area [Alfred Gobar Associates, June 2005, p.II-1], substantially more retail square footage than present in both existing supermarkets combined, should they both close. In addition, there is the potential for non-retail uses to occupy a vacant supermarket space(s), including educational, institutional, community center, religious assembly, or private indoor recreation, if market conditions would not support additional retail.

Therefore, staff, including those from the Office of Economic Development familiar with local retail markets, believes that any future vacant retail space is of an adequate size and age and located in a sufficiently urbanized area that spaces could be readily reused for other appropriate commercial uses or that the sites could be put to new uses, and not remain vacant for extended periods of time.

3. *If long-term vacancies did occur, the last question is, is it reasonably foreseeable that the buildings would not be maintained for such a period of time they would begin to physically deteriorate and lead to blight?*

Staff, given the economic studies which describe strong overall retail demand within the Evergreen area, sees no evidence in the record to lead staff to anticipate such a dramatic outcome as the physical deterioration of buildings. Rather, as suggested by the market studies, there may be increased competition and reduction in existing grocery store's market share and profit, as is common in a free-market, capitalist society.

Conclusion. The appellant provides no substantial evidence, nor does it exist elsewhere in the record, of the potential for the physical deterioration of buildings to produce blight, and the market studies do not introduce "new information" of a new significant impact that would require the EIR to be re-circulated. To the contrary, the market studies suggest a strong demand for a wide range of non-grocery retail anchor tenants that could locate at either existing shopping center in the event either grocery closed. Therefore, the EIR's analysis of the direct, and reasonably foreseeable indirect, physical changes in the environment anticipated to result from the EEHVS project, and specifically the EVC supermarket, is adequate.

ALTERNATIVES

If the Council does not uphold the Certification of this EIR, then Council would need to indicate the specific analysis needed to complete the EIR. This analysis would need to be completed, EIR recirculated, and considered by Planning Commission prior to any Council consideration of the EEHVS items.

PUBLIC OUTREACH/INTEREST

- ☐ **Criteria 1:** Requires Council action on the use of public funds equal to \$1 million or greater.
- ☐ **Criteria 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City.
- ☒ **Criteria 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach.

Public Notice and Review of a Draft EIR

On February 3, 2006, the Director of Planning, Building and Code Enforcement caused a Notice of Availability (NOA) to be published in the San Jose Mercury News, posted for review with the County Clerk, mailed to approximately 6,500 Evergreen•East Hills owners/occupants, sent to approximately 360 subscribers on the Evergreen•East Hills Vision Strategy (EEHVS) e-mail distribution list, and posted on the EEHVS website.

As required by Pub. Res. Code secs. 21092(b), 21092.6; CEQA Guidelines secs. 15087, 15105, the NOA contains (1) a project description and location, (2) identification of significant environmental impacts, (3) specification of the review period, (4) identification of the public hearing date, time, and place, (5) information about where the Draft EIR is available, (6) and whether the project site is a listed toxic site.

The Director filed a Notice of Completion (NOC) with the State Clearinghouse to coordinate the systematic review of the Draft EIR with State Agencies such as the Department of Transportation. CEQA requires State Clearinghouse review of an EIR when a project, such as the Evergreen•East Hills Vision Strategy, is of "statewide, regional, or area significance".

The Draft EIR was circulated for public review for 45 days, beginning on February 3, 2006 and ending on March 20, 2006, as required by Pub. Res. Code sec. 21091 and CEQA Guidelines 15087 and 15105. The Draft EIR was available for review in the Department of Planning, Building and Code Enforcement, at the Martin Luther King Junior Main Library and four local branch libraries within or adjacent to the project area, and online on the Department's website. In addition, the Draft EIR was mailed to Federal and State Agencies, Regional and Local Agencies, and private organizations and individuals listed in Section I of the First Amendment to the Draft EIR.

On March 14, 2006 a public meeting on the Draft EIR was held at 7:00 p.m. in the San Jose City Council Chambers. Approximately 30 members of the public attended the meeting. The meeting included a presentation by City staff and the EIR preparers on 1) an overview of the EEHVS, 2) an overview of the CEQA process, and 3) the main findings contained in the Draft EIR. Following the presentation, members of the public had the opportunity to ask questions. Such questions, which were submitted on comment cards, were read aloud by the moderator. While City staff and the EIR preparers were able to provide answers to some questions at the meeting, full responses to all of the questions submitted at the meeting are provided in Section 4 of the First Amendment to the Draft EIR.

CONCLUSION

The Evergreen•East Hills Vision Strategy Final EIR meets the requirements of CEQA by disclosing the significant environmental effects of the project, identifying feasible ways to mitigate the significant effects, and describing reasonable alternatives to the project. The Final EIR complies with the substantive and procedural requirements of the CEQA guidelines for projects of regional significance. The Final EIR has been completed in compliance with the requirements of CEQA. It also represents the independent judgment and analysis of the City of San Jose.

COORDINATION

Preparation of the responses in this memo to the EIR appeals have been coordinated with the Office of Economic Development and the City Attorney's Office.

HONORABLE MAYOR AND CITY COUNCIL

November 21, 2006

Subject: Appeal of the Evergreen East Hills Vision Strategy Final EIR

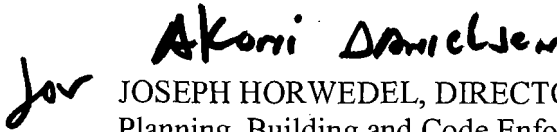
Page 12 of 12

COST IMPLICATIONS

Not applicable.

BUDGET REFERENCE

Not applicable.

 JOSEPH HORWEDEL, DIRECTOR
Planning, Building and Code Enforcement

c: Appellants and their Representatives

Attachments:

1. Appeals, including attachments, filed by Mt. Pleasant and Evergreen Elementary School Districts.
2. Appeal, including attachments, filed by Shapell Industries, Inc.



PHILIP J. HENDERSON
ATTORNEY AT LAW
phenderson@mbdlaw.com

SAN FRANCISCO

November 21, 2006

VIA FACSIMILE AND U.S. MAIL

City of San Jose
Planning, Building and Code Enforcement
Attn: John Baty, Michael Mena
200 East Santa Clara Street
San Jose, CA 95113-1905

Re: Evergreen School District;
Status of Appeal of Certification of Environmental Impact Report,
Evergreen-East Hills Vision Strategy; GPT05-08-01, GP05-08-01A through 4,
PDC05-048 through 053, Council Districts: 5, 7, 8;
Our File: 2980.10206

Dear Mr. Baty and Mr. Mena:

On November 13, 2006, the Evergreen School District ("District") appealed the City of San Jose's Planning Commission's Certification of the Environmental Impact Report ("EIR") for the proposed Evergreen-East Hills Vision Strategy ("Project") for eastern San Jose ("Appeal").

The District hereby notifies the City of San Jose that the District intends to rescind its Appeal if the District is able to enter into a written mitigation agreement with the developer of the Project that addresses the District's concerns related to the Draft EIR ("DEIR") and the First Amendment to the Draft EIR ("FADEIR"). The District will notify the City immediately upon execution of a written agreement, which the District expects to be completed shortly.

Please do not hesitate to contact us with any questions. Thank you.

Very truly yours,

MILLER BROWN & DANNIS


Philip J. Henderson

PJH/rg

cc: Clif Black, Superintendent

Jim Crawford, Assistant Superintendent of Business Services

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CITY OF SAN JOSE

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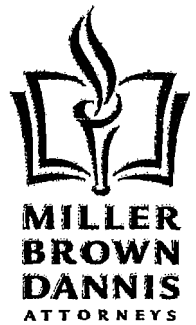
NOTICE OF EIR APPEAL

TO BE COMPLETED BY PLANNING STAFF				
FILE NUMBER	PDC05-048		RECEIPT #	433030
NAME OF EIR	EEHVS		AMOUNT	100.00
			DATE	11/13/06
			BY	BR
TO BE COMPLETED BY PERSON FILING APPEAL				
PLEASE REFER TO EIR APPEAL INSTRUCTIONS BEFORE COMPLETING THIS PAGE.				
THE UNDERSIGNED RESPECTFULLY REQUESTS AN APPEAL FOR THE FOLLOWING EIR: ENVIRONMENTAL IMPACT REPORT, EVERGREEN-EAST HILLS VISION STRATEGY; GPT05-08-01, GP05-08-01A through 4, PDC05-048 through 053, Council Districts: 5, 7, 8.				
REASON(S) FOR APPEAL (For additional comments, please attach a separate sheet.):				
PLEASE SEE ATTACHED				
PERSON FILING APPEAL				
NAME	PHILIP J. HENDERSON		DAYTIME TELEPHONE	(415) 543-4111
ADDRESS	CITY	STATE	ZIP CODE	
71 STEVENSON ST, 19TH FLOOR	SAN FRANCISCO	CA	94105	
SIGNATURE	[Signature: Chad for Philip J. Henderson]		DATE	11/13/06
CONTACT PERSON (IF DIFFERENT FROM PERSON FILING APPEAL)				
NAME	Clif Black			
ADDRESS	CITY	STATE	ZIP CODE	
3188 QUIMBY RD.	SAN JOSE	CA	95148	
DAYTIME TELEPHONE	FAX NUMBER	E-MAIL ADDRESS		
(408) 270-6800	(408) 274-3894	cblack@eesd.org		

PLEASE SUBMIT THIS APPLICATION IN PERSON TO THE DEVELOPMENT SERVICES CENTER, CITY HALL.

MARILYN J. CLEVELAND
ATTORNEY AT LAW
mcleveland@mbdlaw.com

SAN FRANCISCO



November 13, 2006

City of San Jose
Planning, Building and Code Enforcement
Attn: John Baty, Michael Mena
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San Jose, CA 95113-1905

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Fax 415.543.4384

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Fax 562.366.8505

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www.mbdlaw.com

Re: Evergreen School District Appeal of Certification of Environmental Impact Report, Evergreen-East Hills Vision Strategy; GPT05-08-01, GP05-08-01A through 4, PDC05-048 through 053, Council Districts: 5, 7, 8;
Our File 5105.10206

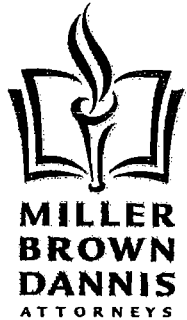
Dear Mr. Baty and Mr. Mena:

The Evergreen School District ("District") hereby appeals the Planning Commission's Certification of the Environmental Impact Report ("EIR") for the proposed Evergreen-East Hills Vision Strategy for eastern San Jose.

As set forth in the attached written comments filed with the City on behalf of the District on November 6, 2006, with regard to the Draft EIR ("DEIR") and the First Amendment to the Draft EIR ("FADEIR"), the District contends that the DEIR and FADEIR have failed to meet the requirements of the California Environmental Quality Act ("CEQA") in that: 1) they have not properly considered the impacts of the project on the District's school facilities; 2) they have not properly considered what mitigation measures would be necessary to address those impacts; and 3) they have failed to provide for adoption of a statement of overriding considerations for the City's approval of the project despite significant unmitigated effects. (See Pub. Resources Code, §§ 21002.1, 21100; Cal. Code Regs., tit. 14, §§ 15091, 15093, 15126, 15126.2, 15126.4, 15126.6 "CEQA Guidelines.") Moreover, the DEIR and FADEIR fail to discuss and seek mitigation for impacts on community and recreational facilities for District students and residents.

Attached please find a completed Notice of EIR Appeal and filing fee. The District further requests that the filing fee for this appeal be waived pursuant to Government

PHILIP J. HENDERSON
ATTORNEY AT LAW
phenderson@mbdlaw.com
SAN FRANCISCO



November 13, 2006

City of San Jose
Planning, Building and Code Enforcement
Attn: John Baty, Michael Mena
200 East Santa Clara Street
San Jose, CA 95113-1905

SAN FRANCISCO
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www.mbdlaw.com

Re: Evergreen School District Appeal of Certification of Environmental Impact Report, Evergreen-East Hills Vision Strategy; GPT05-08-01, GP05-08-01A through 4, PDC05-048 through 053, Council Districts: 5, 7, 8;
Our File 5105.10206

Dear Mr. Baty and Mr. Mena:

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Planning, Building and Code Enforcement
Attn: John Baty, Michael Mena
November 13, 2006
Page 2

Code section 6103. Please do not hesitate to contact us with any questions.. Thank you.

Very truly yours,

MILLER BROWN & DANNIS

A handwritten signature in black ink, appearing to read "Philip J. Henderson for".

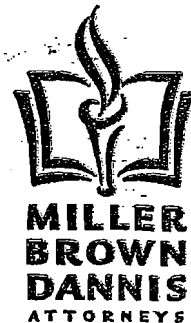
Philip J. Henderson
PJH/CJG/psg

Attachments

cc: Clif Black, Superintendent
Jim Crawford, Assistant Superintendent of Business Services

MARILYN J. CLEVELAND
ATTORNEY AT LAW
mcleveland@mbdlaw.com

SAN FRANCISCO



November 6, 2006

VIA E-MAIL AND U.S. MAIL

John Baty
(john.baty@sanjoseca.gov)
Department of Planning, Building, and Code Enforcement
City of San Jose
200 E. Santa Clara Street, 3rd Floor
San Jose, CA 95113-1905

Re: First Amendment to the Draft Environmental Impact Report and Draft EIR,
Evergreen-East Hills Vision Strategy;
GPT05-08-01, GP05-08-01A through 4, PDC05-048 through 053,
Council Districts: 5, 7, 8;
Comments by Evergreen School District;
Our file: 2980.10206

Dear Mr. Baty:

The Evergreen School District ("District") has asked this office to provide the District's comments to the First Amendment to the Draft Environmental Impact Report ("FADEIR") and the Draft Environmental Impact Report ("DEIR") for the proposed Evergreen-East Hills Vision Strategy for eastern San Jose. These comments are similar to the comments raised by the Mt. Pleasant School District delineated as "Comment 12" in the FADEIR.

General Observations

The District is concerned with the following issues raised by the DEIR and FADEIR:

- The DEIR does not adequately address the need to house the students expected to be generated by this planned development.
- The DEIR does not address the cumulative effects of planned development in the Evergreen-East Hills area as it relates to the District's need to provide facilities.
- The DEIR fails to discuss or provide mitigation for community and recreational facilities for the students and residents of the school district.

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City of San Jose
November 6, 2006
Page 2

Comments on Specific Sections of FADEIR and DEIR

A. The FADEIR and the DEIR Fails To Provide Adequate School Facilities To House The Students That Will Be Generated By The Residential Development.

Section 4 of FADEIR and Section 5.3.2 of DEIR

The DEIR contains discussion of the creation of new residential uses under the Arcadia, Berg/IDS and Legacy Partners, and the Evergreen College properties. The projections of the DEIR show up to 4475 units in these areas. In addition, the City of San Jose has provided an EEHVS zoning map that contemplates 700 additional units of in-fill projects within the District boundaries. This totals a possible 5175 units of new residential construction.

Impact Analysis:

The impact of student generation upon school facilities should be discussed more fully. The number of students expected to be generated by new housing based on this proposed size and rate of development should be discussed more extensively here.

This firm, which represents over 200 school districts in California, notes that the generation rates stated in the DEIR supplied by the District are not accurate given the nature of the types of development contemplated in this DEIR. For example, in representing a neighboring school district, Alum Rock S.D., we obtained information from a recent study that identifies student generation rates for particular types of housing, including .75 students for Intermediate Attached: Market Rate units and .65 students for Intermediate Attached: Section 8 units. The rates identified in this study far exceed the rate of .297 used in the preparation of the DEIR for multi-family dwellings and indicate that the actual impacts will exceed what has been projected in the DEIR. The District rate for single-family dwellings, .473, is probably inaccurate also. Therefore, the DEIR should calculate the student generation based on the standard Office of Public School Construction student generation figure of .5 students per dwelling, which we believe is on the conservative side of the ledger. Applying that rate to 5175 units, there will be an impact of 2588 students. That figure is 60 percent above even the highest scenario in the DEIR projected to be 1562 students. The former number of students would fill three larger than average elementary schools and cause the need for space for more than 776 middle school students.

VIA E MAIL AND U.S. MAIL

John Baty
City of San Jose
November 6, 2006
Page 3

The DEIR goes on to state that the City contemplates reservation of a 5-acre site for a new school at the Berg/IDS property. (See DEIR, p. 304 and FADEIR, p. 8.) This is woefully inadequate. The District foresees the need of 25 acres for each Grade K-8 School. (DEIR, p. 304.) Also, as noted below, at least two schools will be required. In addition to regular classrooms, multi-use, and administrative space, the schools must have facilities to house preschool children, special education services, migrant student services, community events, and a technical center. These are the minimal amenities required for a properly sized and functional public K-8 school. Furthermore, reservation of a site does nothing to secure the funding needed for the purchase and construction of the school to serve students generated by this development.

At this point, the District has projected a conservative need for two new schools.¹ The total impact is \$90,650,355, of which \$57,644,448 is not funded after considering the projected developer fees and state Bond Program eligibility. (See New Schools-Construction Revenue and Expense attached.) This does not include any cost for land acquisition, furniture and equipment, or educational materials. Therefore, Table 60 of the DEIR is inaccurate and is valueless as a planning and mitigation impact tool.

B. The DEIR and FADEIR Fail To Address Or Mitigate The Cumulative Effect Of The Development On The District's Residents

Section 7.3.14.4 Cumulative Impacts on Schools, pp. 373-375 of DEIR

The DEIR concludes that, since it may no longer require dedication of a school site in conjunction with the planning process and because developers will have to pay school impact fees to develop the property, the impact of the project on the District is less than significant. Interestingly, it also states that these fees only partially offset the costs of serving project-related increases in student enrollment. (See p. 375.)

We believe this conclusion is legally incorrect and not substantiated by the evidence presented in the DEIR and in this letter. Although we acknowledge that the Legislature has deemed school impact fees to be "complete" mitigation of impacts under CEQA, the impact of the project on District school facilities is still significant and should be disclosed and addressed in the DEIR and the FADEIR. Therefore, the mitigation measures to be implemented, including voluntary mitigation measures to reduce the impact of the project to insignificance, should be included in the City's mitigation measures and mitigation monitoring plan. The failure to do so constitutes a violation of

¹ See attached cost estimate for two new K-8 campuses.
240362-1

VIA E MAIL AND U.S. MAIL

John Baty
City of San Jose
November 6, 2006
Page 4

CEQA. (See Pub. Resources Code, §§ 21002.1, 21100; Title 14 Cal. Code of Regs. § 15126.4, "CEQA Guidelines.")

The DEIR notes that the District's facilities are near capacity at this time and that there is a need for more classroom space. The District does not agree, nor should the public it serves accept, that overcrowded classrooms are an acceptable mitigation of residential development. The DEIR should address in this section the planned residential developments within the District's boundaries, including this proposal, which will have a cumulative impact on the District through an increased student population substantially in excess of capacity.

As a small school district dependent on limited state revenue, the District is not in a position financially to fund fully the necessary school facilities to house the students generated by these large projects.

The proposed mitigation measure in the DEIR – MM 5.3-1 – and the Master Response: Schools Impacts and Mitigation in the FADEIR at page 7 are premised on compliance with state law in regard to payment of school impact fees. However, developer fees are not by any estimation sufficient mitigation of the actual impact of these projects. As noted above, although state law considers impacts mitigated by developer fees, the practical fact is that these fees do not provide a fraction of the mitigation needed to provide adequate school housing for the children generated by the growth contemplated by the DEIR.

The DEIR and FADEIR reference California Government Code sections 65995-65998 and set forth "payment of school fees by new development as the exclusive means of 'considering and mitigating impacts on school facilities that occur or might occur as a result of any legislative or adjudicative act, or both, by any state or local agency involving, but not limited to the planning, use, or development of real property.'" If, however, payment of developer fees will not fully mitigate the environmental impacts of the potential projects on the District, then CEQA requires additional action by the City.

First, CEQA requires a full discussion of mitigation measures. Section 21002.1 of the Public Resources Code provides in part that "[t]he purpose of an environmental impact report is to identify the significant effects on the environment of a project, to identify alternatives to the project, and to indicate the manner in which those significant effects can be mitigated or avoided. Each public agency shall mitigate or avoid the significant effects on the environment of projects that it carries out or approves whenever it is

VIA E MAIL AND U.S. MAIL

John Baty
City of San Jose
November 6, 2006
Page 5

feasible to do so.” (See also Pub. Resources Code, § 21100; Cal Code Regs., tit. 14, §§ 15126, 15126.2, 15126.6; *City of Marina v. Board of Trustees, CSU* (2006) 39 Cal.4th 341.) Certainly, measures in addition to the payment of developer fees are available to mitigate the impacts of the proposed projects on the District. Possible measures include dedication of land for a new school site, a developer-built school, and additional funding mechanisms for school facilities that may include cooperation by the developer in the formation of a community facilities district (Gov. Code § 53310 et seq.). These measures, or combinations thereof, can result in the full mitigation of impacts on the District and create a situation that benefits the developer, the City, the District, and new and existing District families and students by providing adequate school facilities and educational programs. Such measures would help avoid a disastrous situation where the District has inadequate or no facilities for large numbers of new students. Accordingly, the EIR should include discussion of other available mitigation measures that are available to fully offset the impacts on the District.

Second, if the City may not legally require adoption of mitigation measures in addition to the payment of developer fees, then CEQA provides additional requirements for adoption of the EIR. CEQA provides in part that “[i]f economic, social or other conditions make it infeasible to mitigate one or more significant effects on the environment of a project, the project may nonetheless be carried out or approved at the discretion of the a public agency if the project is otherwise permissible under applicable laws and regulations.” (Pub. Resources Code, § 21002.1.) If mitigation measures are infeasible, the lead agency is required to make findings and adopt a statement of overriding considerations if the lead agency proceeds with approval of such a project. (*City of Marina, supra.*) Applicable regulations provide that:

[n]o public agency shall approve or carry out a project for which an EIR has been certified which identifies one or more significant environmental effects of the project unless the public agency makes one or more written findings for each of those significant effects, accompanied by a brief explanation of the rationale for each finding. The possible findings are . . . (3) Specific economic, legal, social, technological, or other considerations . . . make infeasible the mitigation measures or project alternatives identified in the final EIR.

(Cal Code Regs., tit. 14, § 15091.)

VIA E MAIL AND U.S. MAIL

John Baty
City of San Jose
November 6, 2006
Page 6

Additional applicable regulations provide that:

CEQA requires the decision-making agency to balance, as applicable, the economic, legal, social, technological, or other benefits of a proposed project against its unavoidable environmental risks when determining whether to approve the project. If the specific economic, legal, social, technological, or other benefits of a proposed project outweigh the unavoidable adverse environmental effects, the adverse environmental effects may be considered 'acceptable.' When the lead agency approves a project which will result in the occurrence of significant effects which are identified in the final EIR but are not avoided or substantially lessened, the agency shall state in writing the specific reasons to support its action based on the final EIR and/or other information in the record. The statement of overriding considerations shall be supported by substantial evidence in the record.

(Cal Code Regs., tit. 14, § 15093.)

Accordingly, if the City finds that it may not legally require measures to mitigate fully the impacts on the District but that benefits of the project outweigh environmental risks, then CEQA provides for adoption of a statement of overriding considerations.

C. The DEIR Fails To Provide Adequate Community and Recreational Facilities to Serve the District's Residents

Sections 1.5.2 and 2.2, Distribution of Community Amenities Project, p. 26

These sections describe a number of community amenities planned for the project area in the Evergreen School District area. (pp. 12-27.) However, none of these are listed as confirmed mitigation measures. It is vaguely stated that they will be provided by developers, a community financing district, some other unstated source, or a combination of these sources. These facilities should be described in greater detail in the project description and their impacts should be addressed in this DEIR, rather than leaving the public with the implication that the project will include recreational facilities that are neither described nor evaluated in the DEIR.

VIA E MAIL AND U.S. MAIL

John Baty
City of San Jose
November 6, 2006
Page 7

The planned new development addressed in this DEIR should provide the impacted communities recreation facilities and other community services, including the children of the Evergreen School District community and their families. The impacts of overcrowding of existing community and recreational facilities should be addressed in the DEIR and FADEIR.

D. Conclusion

For the foregoing reasons, we believe the DEIR and FADEIR have failed to meet the requirements of CEQA in that they have not properly considered the impacts of the project on the sufficiency of the school facilities needed to provide education.

Furthermore, the DEIR and FADEIR fail to discuss and seek mitigation for impacts on community and recreational facilities for the students and residents of the Evergreen School District.

Please contact us should you have any questions regarding these comments.

Very truly yours,

MILLER BROWN & DANNIS

A handwritten signature in cursive script, appearing to read "Marilyn J. Cleveland", followed by a long horizontal flourish.

Marilyn J. Cleveland

MJC/LMS/dkj

Enclosures

cc: Clif Black, Superintendent
Jim Crawford, Assistant Superintendent of Business Services

New Schools -Construction Revenue and Expense							
Revenue	Grade	Rate	Units	Sq. Ft.	Year	Inflation Adjustment	Amount

Developer Fees								
	Arcadia		\$2.00	1875	1400	2012	1.4185	7,447,125.00
	Industrial		\$2.00	1950	1850	2009	1.191	8,593,065.00
	EVCC		\$2.00	500	1350	2008	1.1236	1,516,860.00
	In-Fill		\$2.00	400	1600	2013	1.5036	1,924,608.00
							Subtotal	19,481,658.00
State Funding			Students					
	School 19	K-6	\$7,082.00	665		2009	1.191	5,609,050.23
		7-8	\$7,490.00	224			1.191	1,998,212.16
				889				
	School 20	K-6	\$7,082.00	589		2012	1.4185	5,916,986.21
							Subtotal	13,524,248.60
Total								33,005,906.60

<i>Expense</i>	<i>School</i>	<i>Year</i>	<i>Inflation Adjustment</i>	<i>Amount</i>
School 19 (Industrial) (building only)	\$45,636,692	2009	1.191	\$54,353,300
School 20 (Arcadia) (building only)	\$25,588,336	2012	1.4185	\$36,297,055
Total				\$90,650,355

Deficit	(\$57,644,448)
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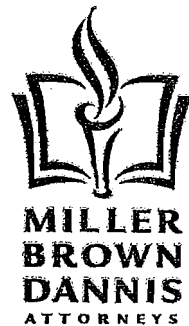
CITY OF SAN JOSE

Planning, Building and Code Enforcement
200 East Santa Clara Street
San José, CA 95113-1905
tel (408) 535-3555 fax (408) 292-6055
Website: www.sanjoseca.gov/planning

NOTICE OF EIR APPEAL

TO BE COMPLETED BY PLANNING STAFF			
FILE NUMBER PDC05-048		RECEIPT # 433031	
NAME OF EIR EVERGREEN-EAST HILLS VISION STRATEGY		AMOUNT \$100.00	
		DATE 11/13/06	
		BY BR	
TO BE COMPLETED BY PERSON FILING APPEAL			
PLEASE REFER TO EIR APPEAL INSTRUCTIONS BEFORE COMPLETING THIS PAGE.			
THE UNDERSIGNED RESPECTFULLY REQUESTS AN APPEAL FOR THE FOLLOWING EIR: ENVIRONMENTAL IMPACT REPORT, EVERGREEN-EAST HILLS VISION STRATEGY; GPT05-08-01, GP05-08-01A through 4, PDC05-048 through 053, Council Districts: 5, 7, 8.			
REASON(S) FOR APPEAL (For additional comments, please attach a separate sheet.):			
PLEASE SEE ATTACHED			
PERSON FILING APPEAL			
NAME MARILYN J. CLEVELAND		DAYTIME TELEPHONE (415) 543-4111	
ADDRESS 71 STEVENSON ST., 19th FLOOR		CITY SAN FRANCISCO	STATE CA
		ZIP CODE 94105	
SIGNATURE <i>Marilyn J. Cleveland</i>		DATE Nov. 13, 2006	
CONTACT PERSON (IF DIFFERENT FROM PERSON FILING APPEAL)			
NAME GEORGE PEREZ			
ADDRESS 3434 MARTEN AVE.,		CITY SAN JOSE	STATE CA
		ZIP CODE 95148	
DAYTIME TELEPHONE (408) 223-3710	FAX NUMBER (408) 223-3715	E-MAIL ADDRESS gperez@mountpleasant.k12.ca.us	

PLEASE SUBMIT THIS APPLICATION IN PERSON TO THE DEVELOPMENT SERVICES CENTER, CITY HALL.



MARILYN J. CLEVELAND
ATTORNEY AT LAW
mcleveland@mbdlaw.com

SAN FRANCISCO

November 13, 2006

City of San Jose
Planning, Building and Code Enforcement
Attn: John Baty, Michael Mena
200 East Santa Clara Street
San Jose, CA 95113-1905

Re: Mt. Pleasant School District Appeal of Certification of Environmental Impact Report, Evergreen-East Hills Vision Strategy; GPT05-08-01, GP05-08-01A through 4, PDC05-048 through 053, Council Districts: 5, 7, 8;
Our File 5105.10206

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Attached please find a completed Notice of EIR Appeal and filing fee. The District further requests that the filing fee for this appeal be waived pursuant to Government

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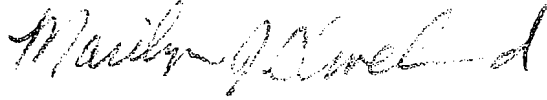
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City of San Jose
Planning, Building and Code Enforcement
Attn: John Baty, Michael Mena
November 13, 2006
Page 2

Code section 6103. Please do not hesitate to contact us with any questions. Thank you.

Very truly yours,

MILLER BROWN & DANNIS

A handwritten signature in cursive script, appearing to read "Marilyn J. Cleveland".

Marilyn J. Cleveland
MJC/CJG/psg

Attachments

cc: George Perez, Superintendent
Laura Phan, Director of Business Services

Handwritten: Attached
1/18/06

November 13, 2006

City of San Jose
Planning, Building and Code Enforcement
Attn: John Baty, Michael Mena
200 East Santa Clara Street
San Jose, CA 95113-1905

~~Attention: John Baty~~

Re: Mt. Pleasant School District Appeal of Certification of Environmental Impact Report, Evergreen-East Hills Vision Strategy; GPT05-08-01, GP05-08-01A through 4, PDC05-048 through 053, Council Districts: 5, 7, 8;
Our File 5105.10206

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hesitate to contact us with any questions. Thank you. *we need pursuant*
to Government
Code section 6103.

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City of San Jose
Planning, Building and Code Enforcement
Attn: John Baty, Michael Mena
November 13, 2006
Page 2

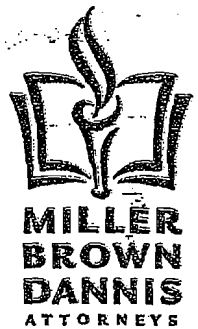
MILLER BROWN & DANNIS

Marilyn J. Cleveland

Attachments

cc: George Perez, Superintendent
Laura Phan, Director of Business Services

MARILYN J. CLEVELAND
ATTORNEY AT LAW
mcleveland@mbdlaw.com
SAN FRANCISCO



November 7, 2006

VIA E-MAIL AND U.S. MAIL

John Baty
(john.baty@sanjoseca.gov)
Department of Planning, Building, and Code Enforcement
City of San Jose
200 E. Santa Clara Street, 3rd Floor
San Jose, CA 95113-1905

Re: First Amendment to Draft Environmental Impact Report,
Evergreen-East Hills Vision Strategy;
GPT05-08-01, GP05-08-01A through 4, PDC05-048 through 053,
Council Districts: 5, 7, 8;
Further Comments by Mt. Pleasant School District;
Our file: 5105.10206

Dear Mr. Baty:

The Mt. Pleasant School District ("District") has asked our firm to provide the District's further comments to the First Amendment ("FADEIR") to the Draft Environmental Impact Report ("DEIR") for the proposed Evergreen-East Hills Vision Strategy for eastern San Jose.

The FADEIR contains extensive discussion of the District's previous comments. However, the six responses can be summarized by two basic concepts:

1. School impacts and mitigation are fully mitigated by developer fees by statutory declaration.
2. The recreational and community amenities are not mitigation measures and do not need to be stated in the CEQA mitigation plan.

Comments on Specific Sections of FADEIR

The FADEIR Fails To Provide Adequate Mitigation By Way of Adequate School Facilities To House The Students That Will Be Generated By The Residential Development.

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VIA E MAIL AND U.S. MAIL

John Baty
City of San Jose
November 7, 2006
Page 2

Section 4 – Responses to Comment #12

School Impacts and Mitigation

The FADEIR reiterates the statement that the City contemplates reservation of a 5-acre site for a new school. (See DEIR, p. 41 and FADEIR p. 7.) This is woefully inadequate. The District estimates that it will require a school with at least twenty (20) classrooms, a minimum of two per grade, for a kindergarten through eighth grade (K8) school. Under the requirements of the state Office of Public School Construction the minimum acreage for a K8 school with 20 classrooms is 13.2 acres.¹ In addition to regular classrooms, multi-use, and administrative space, the school must have facilities to house preschool children, special education services, migrant student services, community events, and a technical center. These are the minimal amenities required for a properly sized and functional public K8 school. Furthermore, reservation of a site does nothing to secure the funding needed for the purchase and construction of the school to serve students generated by this development.

As noted before, the projections that KB Homes and Summerhill Homes, the developers of the land in the Project Area, provided to the District reflect plans to build 461 single family dwellings, 168 garden homes (zero lot line), and 116 town homes for a total of 745 units.² The projections in the DEIR show 540 (excluding the “no project” alternative) to 825 units, the majority of which are multi-family. All of the proposed homes presented to the District appear to be single-family units that, according to the generation rates in the DEIR, would generate substantially more children.

As noted in the response to the previous comment letter, the student generation rates used in the DEIR came from the District. However, those numbers are not currently accurate. This firm, which represents over 200 school districts in California, has found that the generation rates stated in the DEIR supplied by the District are not accurate given the nature of the types of development contemplated in this DEIR. For example, in representing a neighboring school district, Alum Rock School District, we obtained information from a recent study that identifies student generation rates for particular types of housing, including .75 students for Intermediate Attached: Market Rate units and .65 students for Intermediate Attached: Section 8 units. The rates identified in this study far exceed the rates used in the preparation of the DEIR for multi-family

¹ School Site Analysis based on OPSC standards, provided previously.

² E-mail from James Lindsay of KB Homes South Bay, Inc., dated March 6, 2006, providing this estimate of the number of units, provided previously.

VIA E MAIL AND U.S. MAIL

John Baty
City of San Jose
November 7, 2006
Page 3

dwellings and indicate that the actual impacts will exceed what has been projected in the DEIR.

At a minimum, the DEIR should calculate the student generation based on the very conservative standard Office of Public School Construction student generation figure of .5 students per dwelling. Applying that rate to 745 units, there will be an impact of 373 students. That figure is 36 percent above even the highest scenario in the DEIR projected to be 276 students from 825 units. If 825 units were to be developed, the student generation would be 413 new, project-related students. This is a number that would fill a larger than average elementary school.

A K8 school with 20 classrooms and the appropriate auxiliary facilities is estimated to cost \$17,585,000 to construct.³ This does not include any cost for land acquisition, furniture and equipment, or educational materials. In addition, this cost does not include construction cost of escalation which has exceeded 4 percent per year in recent years. Therefore, Table 61 of the DEIR is inaccurate and is valueless as a planning and mitigation impact tool.

The DEIR and the FADEIR conclude that, since it may no longer require dedication of a school site in conjunction with the planning process and because developers will have to pay school impact fees to develop the property, the impact of the project on the District is less than significant. Interestingly, it also states that these fees only partially offset the costs of serving project-related increases in student enrollment.

We believe this conclusion is legally incorrect and not substantiated by the evidence presented in the DEIR, FADEIR, and this letter. Although we acknowledge that the Legislature has deemed school impact fees to be "complete" mitigation of impacts under CEQA, the impact of the project on District school facilities is still significant and should be disclosed and addressed in the DEIR and the FADEIR. Therefore, the mitigation measures to be implemented, including voluntary mitigation measures to reduce the impact of the project to insignificance, should be included in the City's mitigation measures and mitigation monitoring plan. The failure to do so constitutes a violation of CEQA. (See Pub. Resources Code, §§ 21002.1, 21100; Title 14 Cal. Code of Regs. § 15126.4, "CEQA Guidelines.")

The DEIR and FADEIR reference California Government Code sections 65995-65998 and sets forth "payment of school fees by new development as the exclusive means of

³ See attached cost estimate for new K8 campus.

VIA E MAIL AND U.S. MAIL

John Baty
City of San Jose
November 7, 2006
Page 4

'considering and mitigating impacts on school facilities that occur or might occur as a result of any legislative or adjudicative act, or both, by any state or local agency involving, but not limited to the planning, use, or development of real property." If, however, payment of developer fees will not fully mitigate the environmental impacts of the potential projects on the District, then CEQA requires additional action by the City.

First, CEQA requires a full discussion of mitigation measures. Section 21002.1 of the Public Resources Code provides in part that "[t]he purpose of an environmental impact report is to identify the significant effects on the environment of a project, to identify alternatives to the project, and to indicate the manner in which those significant effects can be mitigated or avoided. Each public agency shall mitigate or avoid the significant effects on the environment of projects that it carries out or approves whenever it is feasible to do so." (See also Pub. Resources Code, § 21100; Cal Code Regs., tit. 14, §§ 15126, 15126.2, 15126.6; *City of Marina v. Board of Trustees, CSU* (2006) 39 Cal.4th 341.) Certainly, measures in addition to the payment of developer fees are available to mitigate the impacts of the proposed project on the District. Possible measures include dedication of land for a new school site, a developer-built school, and additional funding mechanisms for school facilities that may include cooperation by the developer in the formation of a community facilities district. (Gov. Code § 53300 et seq.) These measures, or combinations thereof, can result in the full mitigation of impacts on the District and create a situation that benefits the developer, the City, the District, and new and existing District families and students by providing adequate school facilities and educational programs. Such measures would help avoid a disastrous situation where the District has inadequate or no facilities for large numbers of new students. Accordingly, the EIR should include discussion of other available mitigation measures that are available to fully offset the impacts on the District.

Second, if the City may not legally require adoption of mitigation measures in addition to the payment of developer fees, then CEQA provides additional requirements for adoption of the EIR. CEQA provides in part that "[i]f economic, social or other conditions make it infeasible to mitigate one or more significant effects on the environment of a project, the project may nonetheless be carried out or approved at the discretion of the a public agency if the project is otherwise permissible under applicable laws and regulations." (Pub. Resources Code, § 21002.1.) If mitigation measures are infeasible, the lead agency is required to make findings and adopt a statement of overriding considerations if the lead agency proceeds with approval of such a project. (*City of Marina, supra.*) Applicable regulations provide that:

VIA E MAIL AND U.S. MAIL

John Baty
City of San Jose
November 7, 2006
Page 5

[n]o public agency shall approve or carry out a project for which an EIR has been certified which identifies one or more significant environmental effects of the project unless the public agency makes one or more written findings for each of those significant effects, accompanied by a brief explanation of the rationale for each finding. The possible findings are . . . (3) Specific economic, legal, social, technological, or other considerations . . . make infeasible the mitigation measures or project alternatives identified in the final EIR.

(Cal Code Regs., tit. 14, § 15091.)

Additional applicable regulations provide that:

CEQA requires the decision-making agency to balance, as applicable, the economic, legal, social, technological, or other benefits of a proposed project against its unavoidable environmental risks when determining whether to approve the project. If the specific economic, legal, social, technological, or other benefits of a proposed project outweigh the unavoidable adverse environmental effects, the adverse environmental effects may be considered 'acceptable.' When the lead agency approves a project which will result in the occurrence of significant effects which are identified in the final EIR but are not avoided or substantially lessened, the agency shall state in writing the specific reasons to support its action based on the final EIR and/or other information in the record. The statement of overriding considerations shall be supported by substantial evidence in the record.

(Cal Code Regs., tit. 14, § 15093.)

Accordingly, if the City finds that it may not legally require measures to mitigate fully the impacts on the District but that benefits of the project outweigh environmental risks, then CEQA provides for adoption of a statement of overriding considerations.

VIA E MAIL AND U.S. MAIL

John Baty

City of San Jose

November 7, 2006

Page 6

Community Amenities as Mitigation Measures

While the DEIR and FADEIR describe and discuss a number of community amenities planned for the larger project area, very few of those amenities are planned for the Mt. Pleasant School District area. (DEIR pp. 12-27.) In fact, only 8.2 acres at the Pleasant Hills Golf Course Area are identified as future parkland (DEIR Section 5.4 Parks and Recreation) with no discussion of actual recreational facilities on the site. In fact, we understand that five acres of that area constitutes the proposed school. This would leave, at best, only about two acres of parkland along with a walking trail.

The DEIR lists the following "community amenities" that appear to be within the District:

- (1) Section 2.2.12 Sports and Recreational Facilities at Schools, p. 69,
- (2) Section 2.2.14 Recreational Improvements at Boeger/Foothill Schools & Fernish Park, p. 70, and
- (3) Section 2.2.28 Renovation of Mt. Pleasant Park, p. 75.

However, none of these are listed as confirmed mitigation measures. It is vaguely stated that they will be provided by developers, a community financing district, some other unstated source, or a combination of these sources. The multipurpose gymnasium at Boeger School is already impacted, as are the District's fields at Fernish Park. As noted above, the District has no resources to assist in providing, expanding or improving these types of facilities in light of the fact that it does not even have sufficient financial resources to build classrooms. These facilities should be described in greater detail in the project description and their impacts should be addressed in this DEIR and FADEIR, rather than leaving the public with the implication that the project will include recreational facilities that are neither described nor evaluated in the DEIR and FADEIR.

The planned new development addressed in the DEIR and FADEIR should provide the impacted communities with recreation facilities and other community services, including the children of the Mt. Pleasant School District community and their families. The impacts of overcrowding of existing community and recreational facilities should be addressed in the DEIR and FADEIR and a binding Mitigation Measure Implementation and Monitoring Plan.

VIA E MAIL AND U.S. MAIL

John Baty
City of San Jose
November 7, 2006
Page 7

Conclusion

For the foregoing reasons, we believe the DEIR and FADEIR have failed to meet the requirements of CEQA in that they have not properly considered the impacts of the project on the sufficiency of the school facilities needed to provide education.

Furthermore, the DEIR and FADEIR fail to discuss and seek mitigation for community and recreational facilities for the students and residents of the Mt. Pleasant School District.

Please contact us should you have any questions regarding these comments.

Very truly yours,

MILLER BROWN & DANNIS

A handwritten signature in black ink, appearing to read "Marilyn J. Cleveland", with a stylized flourish at the end.

Marilyn J. Cleveland

MJC/dkj

cc: George Perez, Superintendent
Laura Phan, Director of Business Services

FILE



MARILYN J. CLEVELAND
ATTORNEY AT LAW
mcleveland@mbdlaw.com

SAN FRANCISCO

March 20, 2006

VIA E-MAIL AND U.S. MAIL

John Baty
(john.baty@sanjoseca.gov)
Department of Planning, Building, and Code Enforcement
City of San Jose
200 E. Santa Clara Street, 3rd Floor
San Jose, CA 95113-1905

Re: Draft Environmental Impact Report,
Evergreen-East Hills Vision Strategy;
GPT05-08-01, GP05-08-01A through 4, PDC05-048 through 053,
Council Districts: 5, 7, 8;
Comments by Mt. Pleasant School District;
Our file: 5105.10206

Dear Mr. Baty:

The Mt. Pleasant School District ("District") has asked this office to provide the District's comments to the Draft Environmental Impact Report ("DEIR") for the proposed Evergreen-East Hills Vision Strategy for eastern San Jose.

General Observations

The District is concerned with the following issues raised by the DEIR:

- The DEIR does not adequately address the need to house the students expected to be generated by this planned development.
- The DEIR does not address the cumulative effects of planned development in the Evergreen-East Hills area as it relates to the District's need to provide facilities.
- The DEIR fails to discuss or provide mitigation for community and recreational facilities for the students and residents of the school district.

SAN FRANCISCO

71 Stevenson Street
Nineteenth Floor
San Francisco, CA 94105
Tel 415.543.4111
Fax 415.543.4384

LONG BEACH

301 East Ocean Boulevard
Suite 1750
Long Beach, CA 90802
Tel 562.366.8500
Fax 562.366.8505

SAN DIEGO

750 B Street
Suite 2310
San Diego, CA 92101
Tel 619.595.0202
Fax 619.702.6202
www.mbdlaw.com

VIA E MAIL AND U.S. MAIL

John Baty
City of San Jose
March 20, 2006
Page 2

Comments on Specific Sections of DEIR

A. The DEIR Fails To Provide Adequate School Facilities To House The Students That Will Be Generated By The Residential Development.

Section 2.1.3 Development for the Pleasant Hills Golf Course Property, pp. 38-42

The DEIR contains extensive discussion of the conversion of the 114-acre Pleasant Hills Golf Course to residential uses. The projections of the DEIR show up to 825 units in this area. This number of units would generate about 413 students that would attend District schools for which the District has no facilities.

The Section goes on to state that the City contemplates reservation of a 5-acre site for a new school. (See DEIR, p. 41.) This is woefully inadequate. The District estimates that it will require a school with at least twenty (20) classrooms, a minimum of two per grade, for a kindergarten through eighth grade (K8) school. Under the requirements of the state Office of Public School Construction the minimum acreage for a K8 school with 20 classrooms is 13.2 acres.¹ In addition to regular classrooms, multi-use, and administrative space, the school must have facilities to house preschool children, special education services, migrant student services, community events, and a technical center. These are the minimal amenities required for a properly sized and functional public K8 school. Furthermore, reservation of a site does nothing to secure the funding needed for the purchase and construction of the school to serve students generated by this development.

Section 5.3.3 Mt. Pleasant Elementary School District, pp. 305-306.

Impact Analysis: The impact of student generation upon school facilities should be discussed more fully. The number of students expected to be generated by new housing based on this proposed size and rate of development should be discussed more extensively here.

The projections that from KB Homes and Summerhill Homes, the developers of the land in the Project Area provided to the District reflect plans to build 461 single family dwellings, 168 garden homes (zero lot line), and 116 town homes for a total of 745

¹ See attached School Site Analysis based on OPSC standards.

VIA E MAIL AND U.S. MAIL

John Baty
City of San Jose
March 20, 2006
Page 3

units.² The projections in the DEIR show 540 (excluding the "no project" alternative) to 825 units, the majority of which are multi-family. All of the proposed homes presented to the District appear to be single-family units that, according to the generation rates in the DEIR, would generate substantially more children.

The District does not know the source of the generation rates stated in the DEIR. At a minimum, the DEIR should calculate the student generation based on the standard Office of Public School Construction student generation figure of .5 students per dwelling. Applying that rate to 745 units, there will be an impact of 373 students. That figure is 36 percent above even the highest scenario in the DEIR projected to be 276 students from 825 units. If 825 units were to be developed, the student generation would be 413 new, project-related students. This is a number that would fill a larger than average elementary school.

A K8 school with 20 classrooms and the appropriate auxiliary facilities is estimated to cost \$17,585,000 to construct.³ This does not include any cost for land acquisition, furthermore and equipment, or educational materials. In addition, this cost does not include the cost of escalation in construction costs which has exceeded 4 percent per year in recent years. Therefore, Table 61 is inaccurate and is valueless as a planning and mitigation impact tool.

B. The DEIR Fails To Address Or Mitigate The Cumulative Effect Of The Development On The District's Residents

Section 7.3.14.4 Cumulative Impacts on Schools, pp. 373-375

The DEIR concludes that, since it may no longer require dedication of a school site in conjunction with the planning process and because developers will have to pay school impact fees to develop the property, the impact of the project on the District is less than significant. Interestingly, it also states that these fees only partially offset the costs of serving project-related increases in student enrollment. (See p. 375.)

We believe this conclusion is legally incorrect and not substantiated by the evidence presented in the DEIR and in this letter. Although we agree that the Legislature has deemed school impact fees to be "complete" mitigation of impacts under CEQA, the impact of the project on District school facilities is still significant. Therefore, the

² The attached email from James Lindsay of KB Homes South Bay, Inc., dated March 6, 2006, provides this estimate of the number of units.

³ See attached cost estimate for new K8 campus.

VIA E MAIL AND U.S. MAIL

John Baty
City of San Jose
March 20, 2006
Page 4

mitigation measures to be implemented, including voluntary mitigation measures to reduce the impact of the project to insignificance, should be included in the City's mitigation measures and mitigation monitoring plan. The failure to do so constitutes a violation of CEQA. (See Pub. Resources Code, §§ 21002.1, 21100; Title 14 Cal. Code of Regs. § 15126.4, "CEQA Guidelines.")

The DEIR notes that the District's facilities are at full capacity at this time and that there is a need for more classroom space. However, the actual situation is that the District houses 110 more students than its designed capacity.⁴ The District does not agree, nor should the public it serves accept, that overcrowded classrooms are an acceptable mitigation of residential development. The DEIR should address in this section the planned residential developments within the District's boundaries, including this proposal, that will have a cumulative impact on the District through an increased student population substantially in excess of capacity.

As a small school district dependent on limited state revenue and ineligible for State bond funding to provide new facilities, the District is not in a position financially to build the necessary school facilities to house the students generated by this large project.

The proposed mitigation measure – MM 5.3-1 – that is premised on compliance with state law in regard to payment of school impact fees is not by any estimation sufficient mitigation of the actual impact of this Project.

C. The DEIR Fails To Provide Adequate Community And Recreational Facilities To Serve The District's Residents

Sections 1.5.2 and 2.2, Distribution of Community Amenities Project, p. 26

While these sections describe a number of community amenities planned for the larger project area, very few of those amenities are planned for the Mt. Pleasant School District area. (pp. 12-27.) In fact, only 8.2 acres at the Pleasant Hills Golf Course Area are identified as future parkland (Section 5.4 Parks and Recreation) with no discussion of actual recreational facilities on the site. In fact, we understand that five acres of that area constitutes the proposed school. This would leave, at best, only about two acres of parkland along with a walking trail.

⁴ See Mt. Pleasant School District 2006 Developer Fee Justification Study, p. 8.

VIA E MAIL AND U.S. MAIL

John Baty
City of San Jose
March 20, 2006
Page 5

The DEIR lists the following "community amenities" that appear to be within the District:

- (1) Section 2.2.12 Sports and Recreational Facilities at Schools, p. 69,
- (2) Section 2.2.14 Recreational Improvements at Boeger/Foothill Schools & Fernish Park, p. 70, and
- (3) Section 2.2.28 Renovation of Mt. Pleasant Park, p. 75.

However, none of these are listed as confirmed mitigation measures. It is vaguely stated that they will be provided by developers, a community financing district, some other unstated source, or a combination of these sources. The multipurpose gymnasium at Boeger School is already impacted, as are the District's fields at Fernish Park. As noted above, the District has no resources to assist in providing, expanding or improving these types of facilities in light of the fact that it does not even have sufficient financial resources to build classrooms. These facilities should be described in greater detail in the project description and their impacts should be addressed in this DEIR, rather than leaving the public with the implication that the project will include recreational facilities that are neither described nor evaluated in the DEIR.

The planned new development addressed in this DEIR should provide the impacted communities recreation facilities and other community services, including the children of the Mt. Pleasant School District community and their families. The impacts of overcrowding of existing community and recreational facilities should be addressed in the DEIR.

C. Conclusion

For the foregoing reasons, we believe the DEIR has failed to meet the requirements of CEQA in that it has not properly considered the impacts of the project on the sufficiency of the school facilities needed to provide education.

Furthermore, the DEIR fails to discuss and seek mitigation for community and recreational facilities for the students and residents of the Mt. Pleasant School District.

VIA E MAIL AND U.S. MAIL

John Baty
City of San Jose
March 20, 2006
Page 6

Please contact us should you have any questions regarding these comments.

Very truly yours,

MILLER BROWN & DANNIS

A handwritten signature in black ink, appearing to read "Marilyn J. Cleveland". The signature is fluid and cursive, with a long horizontal stroke at the end.

Marilyn J. Cleveland

MJC/dkj

Enclosures

cc: George Perez, Superintendent
Laura Phan, Director of Business Services

G:\5105\10206\DEIR Response 06.03.20 MJC Final.doc

AREA REQUIRED FOR NEW SCHOOL IN MT. PLEASANT SCHOOL DISTRICT, San Jose, CA
(ACCORDING TO FIGURES IN SCHOOL SITE ANALYSIS FROM CALIFORNIA DEPT. OF EDUCATION)

<u>GRADE LEVEL</u>	<u># OF STUDENTS</u>	<u># OF CLASSROOMS</u>	<u>ACRES REQUIRED</u>
pre school	40	2	0.5
kindergarten	40	2	0.5
first thru third	120	6	1.9
fourth thru sixth	192	6	5.9
seventh & eighth	<u>128</u>	<u>4</u>	<u>4.4</u>
TOTAL	520	20	13.2

M. Kelly
3/6/2006

Marilyn Cleveland

From: Laura Phan [lphan@mountpleasant.k12.ca.us]
Sent: Friday, March 17, 2006 10:12 AM
To: Marilyn Cleveland; phenderson@mbdlaw.com
Subject: FW: Pleasant Hills Concept Plan

-----Original Message-----

From: Lindsay, James [mailto:jlindsay@kbhome.com]
Sent: Monday, March 06, 2006 12:13 PM
To: Laura Phan
Cc: Menka Sethi; Robert Hencken
Subject: RE: Pleasant Hills Concept Plan

Laura,

The latest plan has 745 homes with the following breakdown:

461 SFDs
168 Garden homes (zero lot line with 6' side yard)
116 Townhomes

What are the next steps regarding the possible site layout for the school?

- James

-----Original Message-----

From: Laura Phan [mailto:lphan@mountpleasant.k12.ca.us]
Sent: Monday, March 06, 2006 10:22 AM
To: Lindsay, James
Subject: RE: Pleasant Hills Concept Plan

Hi James,

I understand that you've changed the planned development from 825 homes to approximately 728 homes. Can you give me the breakdown of

3/17/2006

the types and number of homes? i.e. the number of SFD's and the number of townhomes.

Thanks,
Laura Phan
Director of Business Services
Mt. Pleasant School District
(408) 223-3720

-----Original Message-----

From: Lindsay, James [mailto:jlindsay@kbhome.com]
Sent: Friday, January 20, 2006 9:41 AM
To: Laura Phan; George Perez
Cc: Menka Sethi
Subject: RE: Pleasant Hills Concept Plan

-----Original Message-----

From: Lindsay, James
Sent: Friday, January 20, 2006 9:40 AM
To: 'lphan@mountpleasant.k12.ca.us'; 'George Perez'
Cc: 'Menka Sethi'
Subject: Pleasant Hills Concept Plan

Sorry for the delay in getting this concept out to you, I've been out sick the past few days. This continues to be a work in progress and is in very draft form but we would like your input on the school site location. I thought this revision would place the school along Vista Verde but it ended up in the center. Since the plan was so large I took a picture of it so the quality is not the best but it should give you a good idea of the layout. Please let us know what you think. Thank you!

James Lindsay
Forward Planning Manager
KB Home South Bay, Inc.
6700 Koll Center Pkwy, Suite 200
Pleasanton, CA 94566
(925) 750-6233 Office

3/17/2006

(925) 750-1823 Fax

3/17/2006

New K-8 Campus

DESCRIPTION	Class Rooms		CAPACITY	CAPACITY (PULL OUT ROOMS)	APPROX. SF	# OF BUILDINGS	TOTAL SF	UNIT COST	TOTAL
K-2	6	20 to 1	120		5,760	1	5,760	\$195	\$1,123,200
3	2	20 to 1	40		1,920	1	1,920	\$195	\$374,400
4/5	4	32 to 1	128		3,840		3,840	\$195	\$748,800
6-8	4	32 to 1	128		3,840	1	3,840	\$195	\$748,800
SDC	1	10 to 1	10		960	1	960	\$195	\$187,200
RSP	1	10 to 1		10	960	1	960	\$195	\$187,200
Music Room	1	60 to 1		60	2,880	1	2,880	\$195	\$561,600
Pre School	2	20 to 1	40		1,920	1	1,920	\$195	\$374,400
Administration Wing					4,000	1	4,000	\$215	\$860,000
Multi Purpose Wing					6,000	1	6,000	\$250	\$1,500,000
Gymnasium					10,000	1	10,000	\$250	\$2,500,000
Media Center					5,000	1	5,000	\$350	\$1,750,000
On Site Work					457,380		457,380	\$10	\$4,573,800
TOTAL	21		466		504,460		42,080	\$259.40	\$10,915,600

Indirect/Soft Cost

\$4,584,552

Allowance

\$2,325,023

Contingency

TOTAL

\$17,825,175

Add 4% escalation per year



CITY OF SAN JOSE
Planning, Building and Code Enforcement
200 East Santa Clara Street
San José, CA 95113-1905
tel (408) 535-3555 fax (408) 292-6055
Website: www.sanjoseca.gov/planning

NOTICE OF EIR APPEAL

TO BE COMPLETED BY PLANNING STAFF			
FILE NUMBER <u>GPO5-08-01F - 1A</u>		RECEIPT # <u>433013</u>	
NAME OF EIR <u>EVERGREEN-EAST HILLS VISION STRATEGY</u>		AMOUNT <u>\$100.00</u>	
		DATE <u>11/13/06</u>	
		BY <u>JOHN W. BATY</u>	
TO BE COMPLETED BY PERSON FILING APPEAL			
PLEASE REFER TO EIR APPEAL INSTRUCTIONS BEFORE COMPLETING THIS PAGE.			
THE UNDERSIGNED RESPECTFULLY REQUESTS AN APPEAL FOR THE FOLLOWING EIR:			
<u>Evergreen - East Hills Vision Strategy EIR</u>			
REASON(S) FOR APPEAL (For additional comments, please attach a separate sheet.): See attached letter submitted to Planning Commission setting out reasons for appeal, including:			
(1) <u>failure to analyze secondary physical impacts (urban decay) caused by project;</u>			
(2) <u>failure to properly analyze the project's consistency with the General Plan.</u>			
PERSON FILING APPEAL			
NAME <u>Kelly Erardi on behalf of Shapell Industries</u>		DAYTIME TELEPHONE <u>(408) 946-1550</u>	
ADDRESS <u>100 N. Milpitas Blvd</u>		CITY <u>Milpitas</u>	STATE <u>CA</u>
		ZIP CODE <u>95035</u>	
SIGNATURE <u>[Signature]</u>		DATE <u>11/13/06</u>	
CONTACT PERSON (IF DIFFERENT FROM PERSON FILING APPEAL)			
NAME			
ADDRESS		CITY	STATE ZIP CODE
DAYTIME TELEPHONE ()		FAX NUMBER ()	E-MAIL ADDRESS

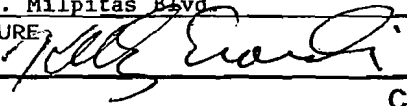
RECEIVED
NOV 13 2006

PLEASE SUBMIT THIS APPLICATION IN PERSON TO THE DEVELOPMENT SERVICES CENTER, CITY HALL.



CITY OF SAN JOSE
Planning, Building and Code Enforcement
200 East Santa Clara Street
San José, CA 95113-1905
tel (408) 535-3555 fax (408) 292-6055
Website: www.sanjoseca.gov/planning

NOTICE OF EIR APPEAL

TO BE COMPLETED BY PLANNING STAFF			
FILE NUMBER		RECEIPT # _____	
NAME OF EIR		AMOUNT _____	
		DATE _____	
		BY _____	
TO BE COMPLETED BY PERSON FILING APPEAL			
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NAME		DAYTIME TELEPHONE	
Kelly Erardi on behalf of Shapell Industries		(408) 946-1550	
ADDRESS	CITY	STATE	ZIP CODE
100 N. Milpitas Blvd	Milpitas	CA	95035
SIGNATURE 		DATE	
		11/13/06	
CONTACT PERSON (IF DIFFERENT FROM PERSON FILING APPEAL)			
NAME			
ADDRESS		CITY	STATE ZIP CODE
DAYTIME TELEPHONE		FAX NUMBER	E-MAIL ADDRESS
()		()	

PLEASE SUBMIT THIS APPLICATION IN PERSON TO THE DEVELOPMENT SERVICES CENTER, CITY HALL.

EIR Appeal pm65/Applications Rev. 8/18/2005

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November 8, 2006

Planning Commission
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Re: Comments on EIR for the Evergreen • East Hills Vision Strategy
File Nos.: GP05-08-01, GP05-08-01A through 4, PDC05-048 through 053
Nov. 8 Agenda

Dear Planning Commissioners:

On behalf of Shapell Industries, Inc., we submit the following comment letter on the Environmental Impact Report for the Evergreen • East Hills Vision Strategy (the "Project"). As discussed below, inclusion of a major supermarket as part of the Project should be rejected as poor planning as it undermines existing retail development. Further, the Project EIR is inadequate in that it fails to adequately address impacts and general plan inconsistencies associated with the proposed development of a supermarket as part of the Project. Therefore, Shapell requests the supermarket be eliminated as a permitted use from the Project to prevent related impacts and avoid the EIR's inadequacies. Otherwise, the EIR should be recirculated and contain an analysis of the foreseeable indirect physical impacts that such a development would have on surrounding shopping centers.

Summary

The Project includes a proposal to develop nearly 200,000 square feet of office and commercial uses, including an approximately 50,000 square foot supermarket on property owned by the Evergreen Community College District ("ECCD") along San Felipe Road (the "College site").¹

The College site is located less than a mile south of the Evergreen Village Center, an approximately 115,000 square-foot shopping center largely owned by Shapell. Development of the Village Center is not complete. The first phase was finished in 2003, with the anchor store, Lunardi's Market, opening in late 2002. Shapell has submitted an application for an additional 36,000 square feet of

¹ This portion of the Project on the College site is covered by file numbers GP05-08-01F and PDC05-053.

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commercial space with construction anticipated to begin in 2007 with occupancy in late 2008. An additional phase is expected to follow as well.

Shapell strenuously objects to the supermarket component of the Project planned for the College site and believes the EIR is deficient concerning this component of the Project. The EIR fails to address inconsistencies between commercial development at the College site and the City of San Jose 2020 General Plan. As a result, the EIR improperly concludes that the Project is consistent with General Plan Commercial Land Use policies, when, in fact, the proposed development at the College site is contrary to specific objectives of the Evergreen • East Hills Vision Strategy. Past and current market studies have repeatedly shown that placing a supermarket at the College site will have a devastating effect on nearby retail developments. City Planning Staff came to this same conclusion when it recommended against a virtually identical proposal brought by the ECCD several years ago. In addition, the Evergreen Task Force, after months of study and meetings, concluded that a supermarket should not be permitted at the College site.

Second, the DEIR contains no analysis of the physical environmental effects that would be caused by the development of additional retail uses as part of the Project. Specifically, the addition of a supermarket on the College site will have adverse economic effects on surrounding shopping centers, resulting in reasonably foreseeable physical impacts at those locations.

I. The Proposed Retail Development of the College Site Conflicts with General Plan Commercial Land Use Policies and the Project Objectives

A. General Plan Commercial Land Use Policies Caution Against New Commercial Development on Land Not Planned for Such Uses

The City of San Jose 2020 General Plan states that "[n]ew commercial development is planned to take place primarily on lands already planned and zoned for this use. The amount of existing land planned and zoned for commercial use in San Jose generally fulfills this purpose." General Plan at p. 219. Similarly, General Plan Commercial Land Use Policy No. 2 states:

New commercial uses should be located in existing or new shopping centers or in established strip commercial areas. Isolated spot commercial developments and the creation of new strip commercial areas should be discouraged.

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Further, the "City should encourage the upgrading, beautifying, and revitalization of existing strip commercial areas and shopping centers." General Plan Commercial Land Use Policy No. 4.² The ECCD proposal, on the other hand, involves the creation of a new shopping center and, as discussed below, substantial evidence demonstrates that additional retail at the College site, especially a supermarket, will significantly undermine existing retail areas at nearby centers.

B. The EIR Fails to Address, or Wrongly Concludes, that the Project is Consistent with General Plan Commercial Land Use Policies

In discussing consistency with the General Plan, the EIR does not address the specific developments proposed by the Evergreen • East Hills Vision Strategy separately. Instead, it contains a general discussion of the Project's overall consistency. The only General Plan Commercial Land Use policy addressed is Policy No. 2 quoted above. Contrary to earlier findings by Planning Department Staff, the EIR concludes, without any other evidence in the record, that "[a]ll of the commercial uses proposed by the EEHVS will be located in existing or new shopping centers. Therefore, the EEHVS is consistent with this policy." EIR at Section 3.1.3.3.

This conclusion is erroneous and fails to consider the nature of the development proposed on the College site. The ECCD development is not part of an existing shopping center, rather it is on land currently zoned R-1-5 (5 residential dwelling units per acre), designated in the General Plan as Public/Quasi Public, and largely consists of an orchard. The ECCD development proposes to add nearly 200,000 square feet of new commercial and retail uses as well as multi-family residential. Clearly, the proposed ECCD development is contrary to Commercial Land Use Policy No. 2, not to mention the General Plan's statement that new commercial development take place primarily on lands already planned and zoned for such uses. Similarly, the proposed retail development at the College site is not consistent with the other General Plan Commercial Land Use policies set out above. These inconsistencies are not addressed by the EIR, and must be if the supermarket is to remain part of the project.

² Also, where there is insufficient demand to support existing neighborhood-serving retail, adding additional retail conflicts with Commercial Land Use Policy No. 14: "Existing commercial development within residential neighborhoods may expand when such development is small scale and is compatible with the adjacent residential neighborhood."

1. The City Has Rejected Past Proposals for Large-Scale Retail Development of the College Site

a. 1995 Proposal

In 1995, ECCD first proposed a nearly 200,000 square foot commercial/retail development on 16 acres at the corner of San Felipe and Yerba Buena Roads. At that time, Planning Staff recommended against the proposal, noting that the Village Center was an ***“integral component”*** of the Evergreen Planned Residential Community. Staff cited a retail demand market study prepared for the Evergreen Specific Plan task force analyzing the balance between supply and demand for retail space in the Evergreen Specific Plan study area. Staff found as follows:

The conclusion of that study found that the area is not only presently overserved with neighborhood serving commercial ***but would continue to be significantly overserved when the Evergreen Specific Plan area is built out.*** If this current request for neighborhood commercial use on 16 acres were to be approved, ***much of the commercial component of the Evergreen Specific Plan would become useless.*** Since a new commercial center on the Evergreen College site would contain many of the same types of retail uses, ***the stores in the specific plan would become unfeasible.*** In addition, a new commercial center at this time ***could dilute existing consumer markets, thereby impacting existing shopping centers*** along White/San Felipe Road to the north. There is also land designated for neighborhood oriented commercial development as part of the Silver Creek Planned Community and some existing neighborhood commercial uses in the Villages to the south of the site.

1995 General Plan Annual Review Staff Report at 3 (emphasis added). These findings were not made in haste. The same report also recognized that the Evergreen Planned Residential Community was a “detailed plan for the area ... developed through comprehensive participation by area residents and developers” with “oversight direction by a community task force.” The Evergreen Specific Land Use Plan was “derived after considerable discussion and public

testimony and in consideration of an extensive analysis of land use, service delivery, and environmental issues. *Id.*³

b. 1996 Proposal

In light of these conclusions, ECCD deferred its proposal until the following year. In 1996, the ECCD again proposed a 16-acre commercial/retail development, with 174,000 square feet of commercial/retail space, including a major 35,000 to 60,000 square foot supermarket and a 25,000 square foot chain drugstore. However, Planning Staff again recommended against approval. Staff found that the applicant's request **"conflicts with the Goals and Policies of the San Jose 2020 General Plan."** 1996 General Plan Annual Review Staff Report at p. 4 (emphasis added). **"The introduction of sixteen new acres of commercial land could severely impact the planned as well as existing commercial uses in this southeasterly portion of Evergreen."** *Id.* at p. 3 (emphasis added). Staff made the following findings:

- At the time, two commercial centers were already planned and preparing for construction, including the Village Center as part of the Evergreen Planned Residential Community. A 1990 retail demand study prepared for the Evergreen Specific Plan task force concluded that **"the area is not only presently overserved with neighborhood-serving commercial but would continue to be significantly overserved when the Evergreen Specific Plan area is built out."** Staff concluded that if "this current request for neighborhood commercial use on 16 acres were to be approved, **much of the commercial component of the Evergreen Specific Plan could become infeasible.**" Staff Report at p. 4 (emphasis added).
- The proposal for 174,000 square feet of commercial development on the site **would conflict with the Goals and Policies of the General Plan.**

³ Similarly, in 1994, Staff recommended against a proposal to develop a high density residential and neighborhood/community commercial project on property owned by the Cortese Brothers along San Felipe Road just north of the College site. That proposal included a request for 120,000 square feet of commercial development with a retail center. A staff report cited a market study prepared for the Evergreen Specific Plan that concluded "no additional commercial uses would be needed in the Evergreen area beyond the Village Specific Plan's "Village Center" and the already existing and planned commercial uses elsewhere in Evergreen." In addressing a competing study prepared by the applicant, staff stated that study "appears to underestimate the amount of retail commercial development that can be expected in the Evergreen area during the life of the San Jose 2020 General Plan."

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"General Plan Commercial land use policies indicate that most new commercial development should occur on lands already designated for this use. The General Plan states that the amount of existing land planned for commercial use in San Jose should generally fulfill the need for commercial goods and services. Commercial land use policies state that the creation of new or isolated strip commercial areas should be discouraged. ***Economic studies prepared for potential commercial projects in the area all indicate that this land use change would have the effect of oversupplying existing consumer markets within the market study area.***" Staff Report at pp. 4-5 (emphasis added).⁴

Planning Staff concluded that the addition of commercial square footage at the amounts proposed ***"could weaken existing centers as well as the planned commercial uses in the Evergreen Village Center by oversupplying the retail market. Future commercial needs for the entire Evergreen area were addressed during the planning stages for the residential development. The Village Commercial Center is the planned neighborhood business district intended to be the retail activity and visual hub of the area."*** Staff Report at p. 5.⁵ Staff recommended against the proposal because a new commercial center would ***"severely impact the planned commercial Village Center,"*** ***"would dilute consumer markets for all existing commercial centers within***

⁴ Staff also noted at the time that San Felipe and Yerba Buena Roads are designated as Rural and Scenic Corridors on the General Plan and thus require that careful consideration be given to, and within the immediate view of, scenic roads. Staff found that "a retail center of the proposed scale and intensity at this location could impact [the] semi-rural character." The General Plan Scenic Routes Goal is to "[p]reserve and enhance the visual access to scenic resources of San Jose and its environs through a system of scenic routes." Scenic Route Policy No. 1 states that "[d]evelopment within the designated Rural Scenic Corridors and along designated Landscaped Throughways should be designed with the intent of preserving and enhancing attractive natural and man-made vistas." Policy No. 6 states "[d]evelopment along designated Rural Scenic Corridors should preserve significant views of the Valley and mountains...." The DEIR, on the other hand, concludes that "there are no features of the site that would be considered an important visual/aesthetic resource" and that "the presence of San Felipe and Yerba Buena Roads also diminishes the aesthetic qualities of the property." DEIR at § 4.10.1.6. In other words, the DEIR makes the incongruous finding that a designated Rural and Scenic Corridor diminishes the aesthetic qualities of the property.

⁵ The Village Center spent years in the planning stages and construction is on-going. The first phase, which included Lunardi's, was completed in 2003. Several new tenants, including a Walgreen's, opened earlier this year and, like the first phase tenants, are still in the process of becoming established. Shapell is seeking approval of a second phase, with additional phases possible.

a three-mile radius,” and “could impact the semi-rural character of this portion of Evergreen.” *Id.* (emphasis added) See Tab A (staff report excerpts).

In response to the staff report and community opposition, the ECCD ultimately amended the application to downsize its proposal to six acres that were already zoned commercial.⁶ At the time, the ECCD itself acknowledged the potential for harm when it wrote to the City in response to the Planning Staff report. In a letter from Michael Hill, the ECCD Vice Chancellor at the time, the ECCD stated it was revising its General Plan amendment request by removing a large supermarket from its proposal. Hill wrote: **“Very importantly, by excluding a full service grocery operation, the revised amendment is intended to complement and not adversely impact the commercial Village Center** in the Evergreen planned residential community.” See Tab B (College District letter).

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2. The “New” ECCD Proposal Is the Same as that Previously Rejected

The portion of the College site proposed for retail/commercial development, together with the existing Evergreen Marketplace adjacent to the site is essentially the same as what the ECCD originally proposed – and City Staff recommended against – in 1995 and 1996. Despite interim and proposed development, the problems that existed in 1996 still remain. The ECCD proposal seeks to expand commercial/retail development beyond existing commercially zoned lands in conflict with the General Plan and at the expense of specifically planned neighborhood-serving retail. As discussed below, several current market studies support this conclusion.

C. The Development of the College Site Fails to Meet the Evergreen East Hills Project Objectives

The Project objectives of the Evergreen • East Hills Vision Strategy are the ten “Vision and Expected Outcomes” adopted by the City Council in June 2005. See DEIR § 1.4. Vision and Expected Outcome No. 7 is to “[c]apture new retail and commercial opportunities **while strengthening all existing retail including the commercial center at the Evergreen Village.**” The Project fails to accomplish this objective since development of the retail/commercial portion of the College site, in particular the construction of a supermarket, will weaken rather than strengthen existing retail, especially at Evergreen Village. As noted above, past retail market studies have shown that the area is overserved with neighborhood-

⁶ Ultimately, a six-acre retail development, the Evergreen Marketplace, was developed, anchored by a 20,000 square foot Longs Drugs.

serving retail even with build out of the Evergreen Specific Plan. More recent studies (discussed below) indicate that the proposed retail component at the College site will serve to siphon sales away from nearby retail centers, jeopardizing those centers' viability and raising the possibility that those centers will lose their anchor tenants resulting in adverse effects on other retailers in those centers.

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The City commissioned a retail market study relating to development of the overall Project, including the College site. However, that study is not included in the EIR, and, as discussed below, contains flawed assumptions and fails to quantify the harmful effect on surrounding retail uses.

D. Current Market Studies Support the City's Prior Rejection of Large-Scale Retail at the College Site and Show that Project Objectives Will Not Be Achieved

Two market studies demonstrate that the previous objections made by Planning Department Staff to a large retail development at the College site are just as valid today. Further, these studies buttress the conclusion that the current ECCD proposal is still not consistent with the General Plan's Commercial Land Use policies and will frustrate, rather than achieve, the Project Objective of strengthening existing retail.

1. MapInfo Study: ECCD Proposal Will Result in Over 30 Percent Loss to Nearby Retail Anchor Stores

In a January 2006 report, highly-respected market consultant MapInfo concluded that development of a supermarket at the College site would result in **losses ranging from 30-39 percent** at both Lunardi's (in the Evergreen Village Center) and Cosentino's (in the Canyon Creek Plaza Shopping Center) **despite the additional population contemplated by the residential development as part of the Evergreen • East Hills Vision Strategy**. See Tab C (MapInfo Report and letter).

The MapInfo report found that current changes such as competing store renovations and conversions are already putting added stress on Lunardi's and Cosentino's. These changes alone could negatively impact those stores by five percent or more. The addition of a supermarket as proposed by ECCD would result in losses of 30 percent or more, even when considering growth through 2012.

2. Alfred Gobar Associates Study: New Market at College Site Will Cannibalize Sales to Succeed

Similarly, a June 2005 study prepared by Alfred Gobar Associates ("AGA") concluded that there is **inadequate retail support** for an additional supermarket

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at the College site ***even with build-out of the additional residential*** development proposed by the Evergreen • East Hills Vision Strategy. The AGA study used a 2.0 mile radius to estimate sale potential and accounts for geographic distribution of existing supermarkets and their impact on sales support at the College site. Several prospective target grocery store platforms were evaluated for the site from 20,000 to 60,000-square feet. ***In every instance, site specific performance fell short of a threshold profitability requirement due to competitive interaction of the site and surrounding markets.***

In other words, the success of a new 50,000 square foot supermarket at the College site will be at the expense of nearby retailers and will significantly dilute sales that currently flow to existing stores, such as Lunardi's and Cosentino's. See Tab D (Gobar Report and letter). This cannibalization of sales will adversely impact those stores resulting in their closure and related negative impacts on the retail centers which they anchor.

3. City-Sponsored Study Suffers From Numerous Flaws

The City sponsored the Evergreen Area Retail Study prepared by Metrovation and Bay Area Economics (the "BAE report"). However, the BAE report contains several flaws which result in underestimating the effect of a new supermarket at the College site on surrounding retail development. The BAE report fails to give due consideration to the competitive impact of existing supermarkets on site sales performance and uses a highly aggressive interpretation of market potential in reaching its conclusion that a conventional 50,000 square foot supermarket could survive at the College site.

The BAE report identifies only \$6.6 million in supermarket sales within Lunardi's local trade area. This comparatively low number demonstrates the difficulty of achieving a competitive level of sales support from existing households despite the level of affluence in the area. The BAE report also fails to understand that significant sales leakage from the area would not be captured by an additional traditional, standard platform market at the College site. Rather, most of this sales leakage is due to the lack of ethnocentric products and merchandising in the area, thus consumers go outside the area to find specialty stores rather than shop at traditional grocers. The BAE report compounds this misassumption by using an overly aggressive sales capture rate and future sales potential (90 percent) by a standard platform market, ignoring competitive practices of existing food stores, as well as the presence of a competing Costco, that would reduce the capture to half the levels BAE predicts.

Most importantly, the BAE report merely concludes that the supermarket proposed by the ECCD would be "supportable" but fails to address whether Cosentino's and Lunardi's would also be supportable. Nor does the BAE report address what effect the ECCD retail development would have on the Village

Center and Canyon Creek Plaza. While it acknowledges that a "slight loss in sales" would result if a new market was developed at the College site, it makes no attempt to quantify the loss and fails to adequately consider that the support for a market at the College site would come at the expense of other markets and their shopping centers.

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Not surprisingly, the BAE report does not identify the College site as the optimal site for a new supermarket, but finds that the best location is the intersection of White & Quimby – located nearly twice as far from Village Center as the College site and in the opposite direction.

Another aspect not contemplated by the BAE report is that development of a supermarket at the College site runs counter to the planning principals that led to the development of neighborhood-focused retail like the Village Center. Planning Department Staff recognized that such developments could be vulnerable if they were not a neighborhood hub. The College site, located on the edge of the Evergreen Specific Plan area would serve to draw customers away from the Village Center hub, thereby defeating the planning objectives that were behind the Village Center's approval.

II. The EIR Fails to Analyze Physical Impacts Caused by the Project's Economic Effects

A. Foreseeable Secondary Physical Impacts Could be Caused by Economic Effects of ECCD Retail Development

Prior to the release of the EIR, the market studies discussed above were submitted to the City indicating that the siting of an approximately 50,000-square foot supermarket at the College site would have a dire effect on other nearby shopping centers, such as the Village Center, as the new store would succeed only by drawing sales away from those other sites. As noted above, as early as 1995, Planning Staff relied on studies concluding that stores in the Evergreen Specific Plan area, such as the Village Center, "would become unfeasible" if the College site were developed with the same types of retail uses, specifically the inclusion of a supermarket. Current studies by MapInfo and Alfred Gobar Associates support that conclusion, showing that there is inadequate support for another supermarket in the area.

Development of this scale of supermarket will adversely effect existing retail development, the Village Center in particular. This oversaturation will cause economic effects on the anchor tenants of those competing centers, eventually leading to the closure of those stores. Loss of an anchor tenant, such as Lunardi's, will jeopardize the viability of those competing centers as a whole. Such a result could result in long-term vacancies resulting in physical impacts associated with urban decay. The EIR fails to address these physical impacts at

all. Nowhere in the EIR are these market studies even discussed, nor the secondary physical impacts considered.

B. CEQA Requires Analysis of Physical Impacts Caused by Economic Effects

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CEQA and related case law require disclosure and analysis of physical impacts resulting from economic effects of a proposed project. Under CEQA, when the economic or social effects of a project cause physical changes, those changes may be regarded as significant effects in the same manner as any other physical changes resulting from the project. CEQA Guidelines §§ 15131(a); 15064(e). When, as here, there is evidence that a project's economic effects could result in a reasonably foreseeable indirect environmental impact, the lead agency is obligated to assess the impact.

"[I]n appropriate circumstances CEQA requires urban decay or deterioration to be considered as an indirect environmental effect of a proposed project." *Bakersfield Citizens for Local Control v. City of Bakersfield*, 124 Cal. App. 4th 1184, 1204 (2004). In *Bakersfield*, the court found that a lead agency needed to consider whether a proposed shopping center would take business away from a competing retail area, thereby causing business closures and eventual physical deterioration. *Id.* at 1206-07 (lead agency had affirmative duty to consider "an economic chain reaction"); see also *Citizens Assn. for Sensible Development of Bishop Area v. County of Inyo*, 172 Cal. App. 3d 151, 169-71 (1985); *Citizens for Quality Growth v. City of Mt. Shasta*, 198 Cal. App. 3d 433, 446 (1988).

Based on the evidence presented above, the EIR should have meaningfully considered whether the new retail development at the College site, especially the inclusion of an approximately 50,000-square foot supermarket, will displace other retail shopping center anchors and what foreseeable secondary physical environmental impacts such displacement would have.

As a result, Shapell requests that the supermarket portion of the proposal for the College site be eliminated from the Project so as to remove such impacts; doing so would also avoid the EIR's inadequacies regarding urban decay and general plan consistency. Otherwise, the EIR should be recirculated and contain an analysis of the foreseeable indirect physical impacts that such development would have on surrounding shopping centers, subject to further public comment.

III. Conclusion

Inclusion of a supermarket at the College site is poor planning that undermines existing retail centers and the prior planning efforts that went into their development. The Evergreen Task Force recently came to this conclusion after months of study. In addition, the EIR should have fully disclosed and analyzed all potential significant environmental impacts of the Project, specifically the

Planning Commission
November 8, 2006
Page 12

impacts caused by the development of an additional supermarket at the College site. The EIR should have also meaningfully considered whether the proposed retail development at the College site is truly consistent with the General Plan Commercial Land Use policies and the Project objectives. If the Project continues to permit such a store at the College site, the EIR is inadequate; however, if such a store is excluded from the Project, these inadequacies would be avoided.

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Sincerely yours,



Todd A. Williams

cc: Kelly Erardi
Ed Abelite
Joan Gallo, Esq.

Enclosures (Tab A (excerpts from 1995 and 1996 staff reports), Tab B (College District letter), Tab C (MapInfo Report and letter), Tab D (Gobar Report and letter)).

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GENERAL PLAN ANNUAL REVIEW REPORT 1995 ANNUAL REVIEW

REFERENCE NO. GP95-8-2

LOCATION

Northeast corner of Yerba Buena Road and San Felipe Road

SIZE OF PROPERTY 16 Acres

MAJOR THOROUGHFARES MAP 101

REQUEST INITIATED BY Evergreen Community College District

APN & PROPERTY OWNER Portions of 660-20-016 and 019; Evergreen Community College District

GENERAL PLAN LAND USE/TRANSPORTATION DIAGRAM DESIGNATION

Existing: Public/Quasi-Public

Requested: Neighborhood Community Commercial

LAND CHARACTERISTICS

Existing Land Use: Vacant, Agriculture

Existing Zoning: C-1 Commercial District and R-1:B-8 Residential District

Environmental Considerations: Traffic

PLANNING DEPARTMENT RECOMMENDATION

No Change in the General Plan

PLANNING COMMISSION RECOMMENDATION

Defer to the 1996 Annual Review

Vote: 7-0

CITY COUNCIL ACTION

Defer to the 1996 Annual Review

Vote: 9-0-2 (Diaz, Fernandes absent)

ENVIRONMENTAL REVIEW STATUS

Incomplete

ANALYSIS AND COMMENTS

This is a request to change the General Plan land use designation from Public/Quasi-Public to Neighborhood Community Commercial on 16 acres. The applicant, the Evergreen Community College District, has expressed an interest in developing income generating retail uses including a major 35,000 to 60,000 square foot supermarket and a 25,000 square foot chain drugstore along with other retail stores occupying the balance. Based on General Plan methodology, the proposed land use change would allow 174,000 square feet of commercial development.

Site Location

The amendment site is located on the northeast corner of San Felipe Road and Yerba Buena Road. The site is currently vacant and used for agriculture.

To the north of the amendment site is the Evergreen College District Administration Offices and the College Police Training Center. To the east are vacant agricultural lands and Evergreen College recreational facilities. To the south, across Yerba Buena Road is the open space area along Thompson Creek and Evergreen City Park. To the west, across San Felipe Road, is Thompson Creek and single-family attached residences. Surrounding General Plan land use designations are: Public/Quasi-Public to the north and east (the Evergreen Valley Community College lands); Public Park/Open Space to the south; Public Park/Open Space and Very High Density Residential (25-40 DU/AC) is to the west. The westerly six acres of the amendment site (directly on the corner of Yerba Buena and San Felipe Roads) is zoned C-1 Commercial District. The remaining 10 acres is zoned R-1:B-8 Residential district. The Silver Creek Planned Community is 1,000 feet westerly and the Evergreen Planned Residential Community is 2,000 feet northerly of the amendment site.

Background Information

During the 1994 Annual Review of the General Plan, a similar proposal was requested on San Felipe Road roughly 800 feet north of this amendment site (GP94-8-4 lands of Cortese). That proposal was withdrawn. A part of that request proposed to change the General Plan land use designation from Low Density Residential (2 DU/AC) to Neighborhood Commercial on 12 acres. That proposal was not supported by staff for a number of reasons: the mid-block location of that site was considered inappropriate for commercial development of the intended scale; commercial development of the proposed intensity would impact the semi-rural character of the surrounding area; and because new commercial development could severely impact the Village Commercial Center in the Evergreen Specific Plan. Also, the existing commercial centers to the north along White/San Felipe Road could suffer as a result of additional commercial development.

ANALYSIS AND COMMENTS (Continued)

Land Use Compatibility

Although the corner location of this proposal could be more generally suitable for commercial development than the mid-block site of the 1994 request, the primary reasons to restrict new commercial development in the area remain the same.

The Evergreen Planned Residential Community (EPRC) is in close proximity to the north. The Evergreen Planned Residential Community establishes a long-term development plan for over 865 acres in this southeast part of Evergreen. This detailed plan for the area was developed through comprehensive participation by area residents and developers. The process entailed oversight direction by a community task force. The Evergreen Specific Land Use Plan was derived after considerable discussion and public testimony and in consideration of an extensive analysis of land use, service delivery, and environmental issues.

An integral component of the Evergreen Planned Residential Community is the Village Center. The Village Center, including the Mirassou Winery, is the planned commercial and activity hub of the community. The Village Center can contain about 150,000 square feet of retail commercial use. These uses include a theater, health club, restaurants as well as retail and other commercial uses. The Mirassou Winery could be converted to additional commercial uses of a similar nature and intensity consistent with the character of the Village Center.

A retail demand market study was prepared for the Evergreen Specific Plan task force. The market study analyzed the balance between supply and demand for retail space in the Evergreen Specific Plan study area. The market study identified the existing centers along White/San Felipe Road as the primary market area and those along Capitol Expressway as the secondary market area. The study found that there is 442,000 existing square feet of competitive retail space within the three mile study area.

The conclusion of that study found that the area is not only presently overserved with neighborhood serving commercial but would continue to be significantly overserved when the Evergreen Specific Plan area is built out. If this current request for neighborhood commercial use on 16 acres were to be approved, much of the commercial component of the Evergreen Specific Plan would become useless. Since a new commercial center on the Evergreen College site would contain many of the same types of retail uses, the stores in the specific plan would become unfeasible. In addition, a new commercial center at this time could dilute existing consumer markets, thereby, impacting existing shopping centers along White/San Felipe Road to the north. There is also land designated for neighborhood oriented commercial development as a part of the Silver Creek Planned Community and some existing neighborhood commercial uses in the Villages to the south of the site.

Traffic

A long term traffic analysis prepared to address all the 1995 amendment proposal indicates there is not sufficient capacity in the planned long term transportation system to accommodate this land use amendment, nor the entire package of amendment proposals. The General Plan,

ANALYSIS AND COMMENTS (Continued)

by law, must have transportation and land use elements that are consistent. In order to achieve internal General Plan consistency, the planned transportation system must be able to adequately support the City's planned land uses and accommodate the traffic expected to be generated by the development under the General Plan.

The entire package of 1995 amendment proposals cannot be approved as requested because the total amount of development could not be accommodated by the transportation system and would, therefore, create an internally inconsistent General Plan. This amendment proposal can only be approved if it is included in a package of amendments for which capacity is available.

Various alternative subsets of the 1995 package of amendments have been analyzed for long term traffic capacity. Staff have concluded that it is possible for the City Council to approve a set of amendments for which there is sufficient traffic capacity in the planned long term transportation system. However, additional long term traffic capacity analysis may be required to confirm the ability of the transportation system to accommodate the General Plan land uses, as amended by the City Council's decision.

Policy Consistency

The proposed Neighborhood/Community Commercial Land Use designation would permit roughly 174,000 square feet of retail commercial development on the 16 acre site. A commercial center of this scale is typified by one or two anchor stores and a series of smaller stores in one complex.

The proposed Commercial Land Use designation conflicts with General Plan Commercial Land Use Goals and Policies. The land use change could have the effect of diluting exiting consumer markets in the area. The San Jose 2020 General Plan recognizes that new commercial development is planned to take place on lands already planned for this use. The General Plan states that the amount of existing land planned for commercial use in San Jose generally fulfills this purpose. Commercial land use policies establish that the creation of new or isolated strip commercial areas should be discouraged. General Plan Policies recognize that the City should encourage the upgrading, beautifying, and revitalization of existing commercial areas and shopping centers.

The overall established development pattern in this area is low density and low in intensity. San Felipe and Yerba Buena Roads are designated as Rural and Scenic Corridors on the General Plan. The Rural Scenic Corridor designation requires careful consideration be given to the "preservation of attractive environmental and scenic qualities adjacent to and within immediate view of scenic roads." The applicant envisions a major 35,000 to 60,000 square foot supermarket and a 25,000 square foot chain drug store on the 16 acres, with other retail stores occupying the balance. A retail commercial center of the proposed scale and intensity at this location could impact this semi-rural character and exacerbate already poor traffic conditions.

ANALYSIS AND COMMENTS (Continued)

The Montgomery Hill Evergreen Park Master Plan has identified much of the amendment site for use as public multi-purpose sports fields, open space and recreational facilities to serve the surrounding community. The Montgomery Hill Evergreen Park Master Plan was prepared in 1979 by the City Department of Parks and Recreation in conjunction with the Evergreen Community College District.

Conclusion

In summary, the addition of the proposed commercial square footage at this time could weaken existing centers as well as the planned commercial uses in the Evergreen Village Center by spreading the retail market over too many properties. Commercial needs for the area were addressed during the planning stages for the residential development.

It is recommended that the 16 acre site remain designated Public/Quasi-Public at least until the Village Center in the Evergreen Specific Plan is completed. At that time, market and traffic conditions could be re-evaluated. Staff recommends no change to the General Plan for the following reasons.

- A new commercial center would severely impact the planned commercial Village Center in the Evergreen Planned Community.
- A new commercial center would dilute consumer markets for existing commercial centers within a three mile radius.
- There is not traffic capacity for a new center of the proposed intensity at this time.
- A new commercial center of the proposed intensity could impact the semi-rural character of this portion of Evergreen.
- The site has previously been identified in the Montgomery Hill Evergreen Park Master Plan for public access sports fields and outdoor recreational facilities.

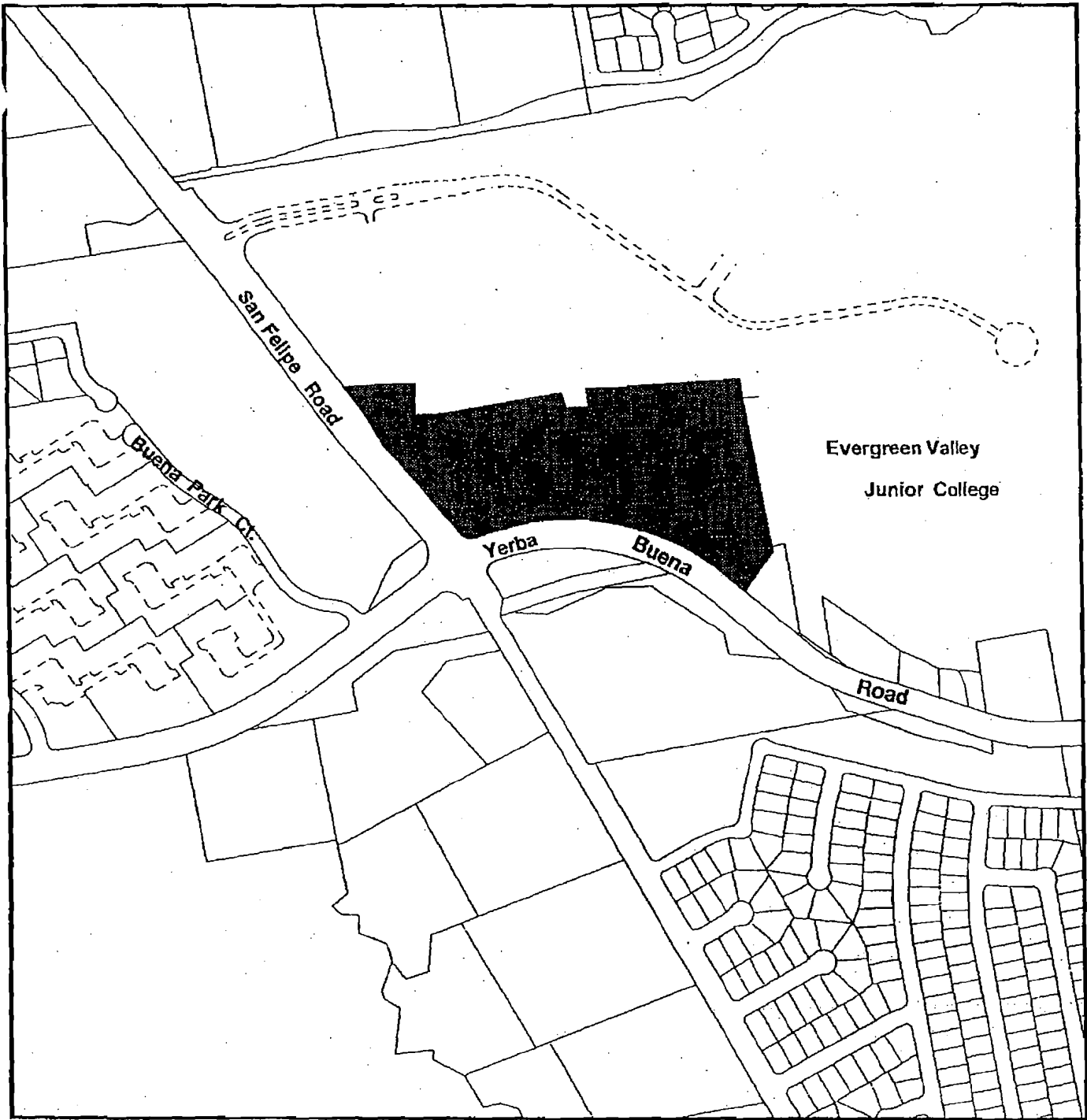
Commission Comments

The Parks and Recreation Commission is recommending that the 10 acre portion of the site designated for the Montgomery Hill/Evergreen Park Master Plan sports fields and recreation facilities remain Public/Quasi-Public.

RECOMMENDATION

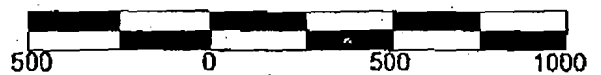
Staff recommends no change in the General Plan.

GP95-8-2



Quad:101

Scale: 1"=500'



GENERAL PLAN ANNUAL REVIEW REPORT

1996 ANNUAL REVIEW

REFERENCE NO. GP96-8-1

LOCATION

Northeast corner of Yerba Buena Road and San Felipe Road

SIZE OF PROPERTY 16 Acres

MAJOR THOROUGHFARES MAP 101

REQUEST INITIATED BY Evergreen Community College District

APN & PROPERTY OWNER Portions of 660-20-016 and 019; Evergreen Community College District

GENERAL PLAN LAND USE/TRANSPORTATION DIAGRAM DESIGNATION

Existing: Public/Quasi-Public

Requested: Neighborhood/Community Commercial

LAND CHARACTERISTICS

Existing Land Use: Vacant, Agriculture

Existing Zoning: C-1 Commercial District and R-1:B-8 Residential District

Environmental Considerations: Traffic

PLANNING STAFF RECOMMENDATION

No Change in the General Plan

PLANNING COMMISSION RECOMMENDATION

Vote:

CITY COUNCIL ACTION

Vote:

REFERENCE GP96-8-1

ENVIRONMENTAL REVIEW STATUS

Negative Declaration

ANALYSIS AND COMMENTS

This is a request to change the General Plan Land Use/Transportation Diagram designation from Public/Quasi Public to Neighborhood/Community Commercial on 16 acres. At the applicants request, this proposal was deferred from the 1995 Annual Review of the General Plan (previous file GP95-8-2). The applicant, the Evergreen Community College District, has expressed an interest in developing income generating retail uses including a major 35,000 to 60,000 square foot supermarket and 25,000 square foot chain drugstore with other retail and commercial uses occupying the balance. Based on General Plan methodology, development under the Neighborhood/Community Commercial designation on 16 acres would allow approximately 174,000 square feet of commercial development.

Site Location

The amendment site is located on the northeast corner of San Felipe Road and Yerba Buena Road. The site is currently vacant and used for agriculture.

The Evergreen College District administration offices and the college police training center are to the north. Vacant agricultural lands and the Evergreen Community College recreational facilities are to the east. To the south, across Yerba Buena Road, is the open space area along Yerba Buena Creek, Montgomery City Park, and the Evergreen Community Center. To the west, across San Felipe Road, are Thompson Creek and single-family attached residences.

Surrounding General Plan land use designations are Public/Quasi Public to the north and east (the Evergreen Community College lands), Public Park/ Open Space to the south and High Density Residential (12-25 DU/ AC) to the west. The westerly six acres of the amendment site directly on the corner of Yerba Buena and San Felipe Roads are zoned C-1 Commercial. The remaining ten acres are zoned R-1:B-8 Residential. The Silver Creek Planned Residential Community is 1,000 feet westerly and the Evergreen Planned Residential Community is 1,500 feet northeasterly.

Background Information

This is one of two requests for additional commercial land in the area in recent years. During the 1994 Annual Review, a similar proposal requested Neighborhood /Community Commercial on 12 acres on San Felipe Road roughly 800 feet north of this amendment site (GP94-8-4, Lands of Cortese). That proposal did not have staff support and was withdrawn.

This amendment request was originally initiated during the 1995 Annual Review of the General Plan. During the 1995 Annual Review proceedings, the applicant was advised that staff could not support this request for a number of reasons. Prior to the Annual Review public hearings, the applicant requested that this proposal be continued until the 1996 Annual Review. This was

ANALYSIS AND COMMENTS (continued)

to allow the applicant time to explore some of the identified land use issues related to this request.

Land Use Compatibility

Although the Evergreen College site with its access from major roadways should be considered as a generally suitable location for commercial development, the primary reason to limit opportunities for new commercial development in the area remains unchanged. The introduction of sixteen new acres of commercial land could severely impact the planned as well as the existing commercial uses in this southeasterly portion of Evergreen.

The overall established development pattern in this area is low density and low in intensity. San Felipe and Yerba Buena Roads are designated as Rural and Scenic Corridors on the General Plan. The Rural and Scenic Corridor designation requires that careful consideration be given to the "preservation of the attractive environmental and scenic qualities adjacent to and within the immediate view of scenic roads." The applicant envisions a major 35,000 to 60,000 square foot supermarket and 25,000 square foot chain drug store on the vacant 16 acres, with other retail stores occupying the balance. While this location should be considered generally suitable for commercial development, a retail center of the proposed scale and intensity at this location could impact this semi-rural character. The site has been determined to have good visibility, however, ingress/egress for a commercial project would need further review. Currently there is only right turn access onto the property.

The Montgomery Hill Evergreen Park Master Plan has identified much of the amendment site for use as public multi-purpose sports fields, open space and recreational facilities to serve the surrounding community. The Montgomery Hill Evergreen Park Master Plan was prepared in 1979 by the City Department of Parks and Recreation in conjunction with the Evergreen Community College District.

Commercial Market Studies

Seven existing commercial centers were identified in studies prepared for this market area. Two other commercial centers have been extensively planned and are expected to be constructed in the near future. These include up to 50,000 square feet of neighborhood commercial development as part of the Silver Creek Planned Residential Community, and the Village Commercial Center component of the Evergreen Planned Residential Community.

The proposed Village Center in the Evergreen Planned Residential Community is in close proximity to the north. The Village Center, together with the Mirassou Winery site, is the planned commercial and activity hub for the surrounding community. The Village Center can contain about 150,000 square feet of commercial use, including a theater, health club, restaurants and retail. The Mirassou Winery could be converted to additional commercial uses of a similar nature and intensity consistent with the character of the Village Center. A preliminary plan of the Village Center has recently been submitted for staff review.

ANALYSIS AND COMMENTS (continued)

In 1990, a retail demand market study was prepared for the Evergreen Specific Plan Task force. The market study analyzed the balance between supply and demand for retail space within a three mile radius of the Evergreen Specific Plan project area. The market study identified the existing commercial centers along White/San Felipe Roads as the primary market area and those centers along Capitol Expressway as the secondary market area. The study found that there was over 442,000 square feet of competitive retail space within the three-mile study area. The conclusion of that study found that the area is not only presently overserved with neighborhood-serving commercial but would continue to be significantly overserved when the Evergreen Specific Plan area is built out. If this current request for neighborhood commercial use on 16 acres were to be approved, much of the commercial component of the Evergreen Specific Plan could become infeasible.

A market survey prepared for the applicant last year indicates that there would be a high probability of success for new commercial development on the Evergreen College site; however, that study also recommended a maximum of 10 to 12 acres, instead of the 16 acres of commercial requested. The applicant's market study did not mention the Evergreen Village Center.

Traffic

Last year the traffic analysis for this proposal in combination with the set of proposed amendments in the 1995 Annual Review, resulted in significant long term impacts from the changes in future traffic flow patterns. This year, because the proposed amendment was identified as having the potential to cause significant long term traffic, it was included in the TRANPLAN computer modeling analysis prepared for this year's set of amendment proposals. This analysis has indicated there is sufficient long term cumulative capacity for this amendment together with other amendments proposed this year. Any future development of the site would need to be in conformance with the City's Transportation Level of Service Policy and the Evergreen Development Policy. Short term traffic impacts would be further addressed for a specific project at the development review stage.

Policy Consistency

The proposed Neighborhood /Community Commercial land use designation would permit roughly 174,000 square feet of commercial development on the 16 acre site. A Commercial center of this scale is typified by one or two anchor stores and a series of smaller stores in one complex.

This request conflicts with the Goals and Policies of the San Jose 2020 General Plan. General Plan Commercial land use policies indicate that most new commercial development should occur on lands already designated for this use. The General Plan states that the amount of existing land planned for commercial use in San Jose should generally fulfill the need for commercial goods and services. Commercial land use policies state that the creation of new or isolated strip commercial areas should be discouraged. Economic studies prepared for

ANALYSIS AND COMMENTS (continued)

potential commercial projects in the area all indicate that this land use change would have the effect of oversupplying existing consumer markets within the market study area.

Conclusion

In summary, the addition of the proposed commercial square footage at this time could weaken existing centers as well as the planned commercial uses in the Evergreen Village Center by oversupplying the retail market. Future commercial needs for the entire Evergreen area were addressed during the planning stages for the residential development. The Village Commercial Center is the planned neighborhood business district intended to be the retail activity and visual hub of the area. Staff recommends no change to the General Plan for the following reasons:

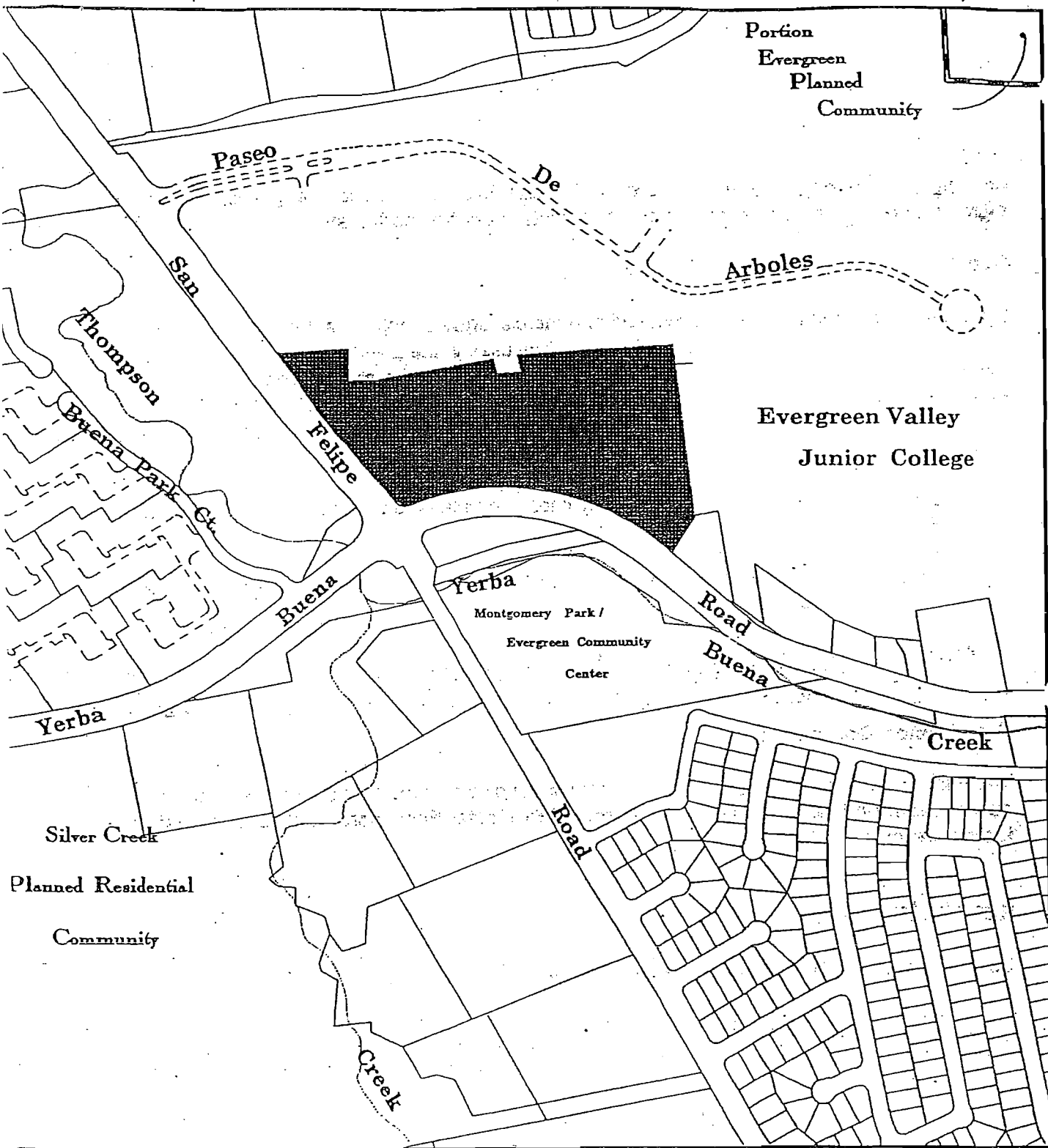
- A new commercial center would severely impact the planned commercial Village Center in the Evergreen Planned Residential Community.
- A new commercial center would dilute consumer markets for all existing commercial centers within a three-mile radius.
- Additional commercial development of the proposed intensity could impact the semi-rural character of this portion of Evergreen.

Commission Comments

The Parks and Recreation Commission is recommending that the 10 acre portion of the site designated for the Montgomery Hill/Evergreen Park Master Plan sports fields and recreation facilities remain Public/Quasi-Public.

RECOMMENDATION

Staff recommends No Change in the General Plan.



Scale: 1"=500

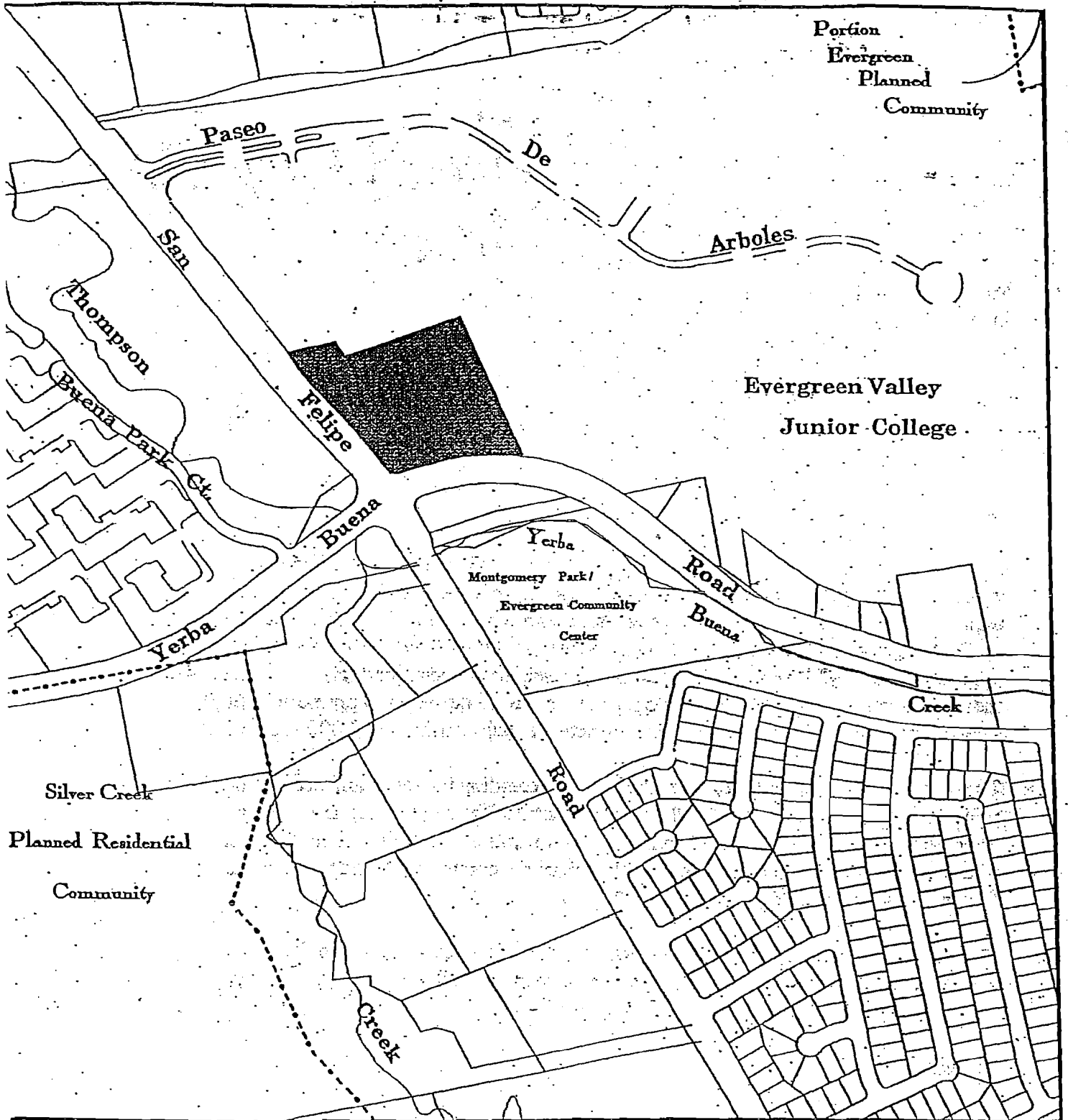


Quad:101



N

GP96-8-1



Portion
Evergreen
Planned
Community

Evergreen Valley
Junior College

Silver Creek
Planned Residential
Community

Yerba
Montgomery Park /
Evergreen Community
Center

Scale: 1"=500'



N

Quad:101

Applicant's Revised Request

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

San José City College • Evergreen Valley College



October 23, 1996

RECEIVED
OCT 28 1996

CITY OF SAN JOSE
PLANNING DEPARTMENT

Chancellor
Geraldine A. Evans, Ph.D.

4750 San Felipe Road
San Jose, CA 95135-1599
Phone: 408-274-6700

Mr. Gary Schoennauer
Director of Planning
City of San Jose
801 North First Street, Room 400
San Jose, CA 95110

Re: GP 96-8-1

Dear Mr. Schoennauer,

Thank you for meeting with us yesterday to discuss our General Plan Amendment application. The college district wishes to formally modify our General Plan Amendment request to be more responsive to the concerns identified in the staff report and expressed by Councilwoman Woody and the Evergreen community. We are requesting that our proposal GP 96-8-1 be revised from 16 acres of neighborhood commercial to 6 acres. As indicated at our meeting, the district's intent would be to develop an approximate 60,000 square foot neighborhood retail center, restricting a major anchor to 20,000 square feet.

The proposed amendment addresses the concern regarding the scope and scale of the project and its compatibility with the rural character of the surrounding area. Very importantly, by excluding a full service grocery operation, the revised amendment is intended to complement and not adversely impact the commercial Village Center in the Evergreen planned residential community.

Our intention is to work cooperatively with the City administration, Councilwoman Woody and the community to bring about a land use that will benefit everyone. We appreciate your consideration of our revised amendment.

Sincerely,

Michael Hill
Vice Chancellor

MH:cf
cc: Councilwoman Alice Woody

Governing Board

Yolanda P. Estremera • Sue Ferdig • Maria Fuentes • Richard Hobbs • George Melendez • Richard K. Tanaka • Ken Yeager

179b



September 19, 2006

EVERGREEN COMMUNITY TASK FORCE

c/o Mr. John Baty
Planning Department
San Jose City Hall
200 E. Santa Clara Street
San Jose, California 95113-1905

Re: Comments of MapInfo's Rick Domanski to the Evergreen Task Force

Dear Task Force Members:

At the request of Lunardi's, I presented the findings of the MapInfo's Supermarket study to the Task Force on March 15, 2006, and also answered questions from the Task Force members. I submit this letter to reflect, and supplement, my prior comments and to again convey the conclusions of the MapInfo study that development of a major supermarket at the Community College District property would result in a substantial, and potentially crippling, decline of sales up to 39 percent at neighboring markets Lunardi's and Cosentino's.

I am the Director of Client Services for MapInfo Corporation (formerly known as Thompson Associates) and have been with this firm since 1990. Prior to joining Thompson Associates, I was the Director of Research for Ralphs Grocery Company/Federated Department Stores for 15 years. Prior to joining Ralphs, I worked for Vons Grocery Company and Real Estate Research Corporation in Los Angeles, California. MapInfo was retained to conduct an independent evaluation of the sales potential for a hypothetical 55,000 square foot chain supermarket at the Evergreen Community College District property located at the corner of Yerba Buena and San Felipe Roads (the "College Site"). The MapInfo study presented to the Task Force uses an almost identical format to virtually every study prepared for supermarket operators across the country. Its analysis was prepared using the "gravity model" that is universally used by nearly every conventional grocery chain in the country.

As part of this study, I surveyed every major supermarket that had derived at least 20 percent of its volume from within this defined trade area for the Evergreen site. Accordingly, this would include all stores located outside this area that were determined to be garnering sales from the inside of this shopping sphere of influence for the Evergreen site. The trade area defined for the Evergreen site was a primary or effective trading area that would account for at least 90% of a grocery store's volume, were it to be deployed at the College Site.

Our study also took into account planned changes to markets in the trade area that were to take effect in 2006, as well as future population growth.

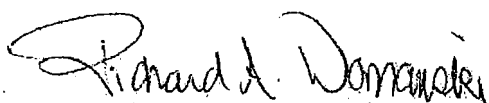
I explained that the College Site is a good supermarket site, given the sale volumes the gravity model projected for the Evergreen location, however, **the success of a major grocery at the College Site would necessarily come at the expense of the two nearest existing stores serving this area, namely Cosentino's and Lunardi's.**

The cumulative trade area sales for all the stores surveyed accounted for about 80% of the trade area's \$2.1 million weekly sales potential and that the remaining 20% was classified as leakage sales, in other words, that grocery-type business not presently going to supermarkets, but to Costco and convenience stores like 7-11 and/or specialty stores such as meat markets. Every trade area defined for any supermarket in the United States has leakage sales comprising from 15% to 25% of any trade area's potential. This segment of the business is not convertible nor transferable to any new operator but for the exception of another sister store like Costco or Sam's.

Therefore, and as I told the Task Force, when a new grocery store, such as the one proposed for the College Site, enters an area, "consumer's bellies don't get bigger", they simply trade business by changing their shopping pattern from, and at the expense of, their original store, for the ease of convenience of another. Therefore, our study concluded that **were the College Site occupied by a strong grocery store operator like a Safeway or Raley's, sales at nearby existing markets Cosentino's and Lunardi's would each be negatively impacted by an estimated 30-39%, causing serious repercussions at either competitor's location.**

Thank you for your consideration of MapInfo's report and my comments.

Sincerely,



Richard A. Domianski
Director of Client Services

RAD/hr

**PROPOSED SUPERMARKET IMPACT ANALYSIS FOR
THE CITY OF SAN JOSE EVERGREEN STUDY AREA:
ASSUMING A PROPOSED CHAIN MARKET AT SITE 100
SEC SAN FELIPE ROAD/PASEO DE ARBOLES
CITY OF SAN JOSE, CALIFORNIA
(MI #1588-001)**

**PROPOSED SUPERMARKET IMPACT ANALYSIS FOR
THE CITY OF SAN JOSE EVERGREEN STUDY AREA:
ASSUMING A PROPOSED CHAIN MARKET AT SITE 100
SEC SAN FELIPE ROAD/PASEO DE ARBOLES
CITY OF SAN JOSE, CALIFORNIA
(MI #1588-001)**

PREPARED FOR:

**MR. GEORGE J. SILVESTRI, JR. ESQ.
GENERAL COUNSEL FOR LUNARDI'S
SILVESTRI LAW OFFICES
250 BEL MARIN KEYS BOULEVARD
BLDG. F – SUITE 200
NOVATO, CALIFORNIA 94949**

PREPARED BY:

**MAPINFO CORPORATION
7567 AMADOR VALLEY BOULEVARD
SUITE 310
DUBLIN, CALIFORNIA 94568
(925) 556-9999**

**MI #1588-001
JANUARY 2006**

STUDY OVERVIEW AND ASSUMPTIONS

BACKGROUND

MapInfo was retained to evaluate the sales potential for a hypothetical 55,000 square foot chain supermarket that could be deployed within the proposed retail component of the Evergreen Valley Community College redevelopment project planned for the southeast corner of San Felipe Road and Paseo de Arboles. According to the sign on the property at the time of our inspection, some 450 apartments and 50 single-family attached units are similarly planned for the same corner and would encompass the proposed neighborhood shopping center envisioned for this intersection. Paseo de Arboles is situated less than one-quarter mile north of Yerba Buena Road and serves as the main entrance to the Evergreen Valley Community College.

As shown on the somewhat dated aerial photo which is attached for reference purposes, Yerba Buena Road geographically truncates the Evergreen Specific Plan (2,990 home sites) on the north, from the South San Felipe Corridor (3,825 home sites) and Silver Creek/Hillstone region (2,600 home sites) to the south. For the most part, these respective areas are almost fully built out and served by two "custom" neighborhood supermarket sites that were understood to be exclusively planned to directly service these respective population clusters. Cosentino's and Lunardi's Markets at Map Keys 1 and 2 were ultimately deployed at these dedicated sites earmarked for these north and south growth regions. As the these two areas have since melded with one another to form one contiguous urbanized trade area, the thought to now strategically insert a possible third market to serve this continuing flow of homes at the SEC of San Felipe Road and Paseo de Arboles came to fruition as albeit a logical site for yet a third grocery location. And, as the sales estimates and projections contained herein clearly point out, the proposed site makes good logical and strategic sense for the deployment of a chain supermarket operator, but would do so at the expense of the two nearest stores serving this "geographically bifurcated" area including Cosentino's and Lunardi's.

Subsequently, MapInfo undertook an independent potential sales analysis for the study area presented in this report which is defined as a realistic primary trade area for any conventional chain supermarket operation at the SEC of San Felipe Road and Paseo de Arboles. The methodology utilized to assess the sales potential for the site and its respective impact on all supermarkets serving selected portions of this geography are discussed and supported later on throughout this report.

COMPETITIVE CHANGES PLANNED FOR THE TRADE AREA THROUGH 2006

Upon inspecting all of the stores understood to be serving portions of the defined trade area, MapInfo discovered that changes are afoot and continuing to occur throughout the trade area's competitor environment that would similarly impact selected stores through 2006, regardless of any new site offering at Evergreen Valley College. They include the following:

- 1) Safeway at Map Key 5 is planned for a major "Life" store remodel in 2006. This would include a multi-million dollar investment that would transform the unit and all of its fixtures and décor into an upscale "niche" superstore (with no expansion-but within the walls). Accordingly, Safeway's current Image level/index (discussed and shown throughout out sales forecasting process) was increased from its current Market Place As Is (**Exhibit 1**) level of '101 points' to an increased '120 Image level'.
- 2) The former and now vacated Albertsons store at Map Key 60 has been subsequently purchased by the Lion Market chain for the deployment of a second sister store in this area. It is our opinion that sales growth at the chain's Map Key 10 location deemed the second store necessary to help transfer sales as well as help maximize sales penetration among Asian clientele, now estimated at 43% in the trade area. And,

- 3) The former Asian supermarket at Map Key 50 is now being retrofitted with new fixtures and equipment (trench work in store is now in progress for a March 2006 opening) for a new Manilla Market (out of Daly City).

KEY STORE IMPACT ASSESSMENT SUMMARY AND FINDINGS

First, all of the preceding changes that will take effect in 2006 were considered in the first Projected Market Place table (**Exhibit 2**) to illustrate the impact these three respective competitor changes would have on all of the trade area's competition, regardless of any new store opening at the subject Evergreen redevelopment Site 100. As shown, both Cosentino's and Lunardi's would be impacted by an estimated 5% (-\$10,352 weekly) and 6% (-\$14,436 weekly), respectively.

Exhibits 3 and 4, however, now consider the total projected impact to all of the surveyed stores should a new superstore grocery operator open at Site 100, following the forthcoming 2006 impact assessment to these stores. As any specific chain has yet to be named, we projected two sets of scenarios assuming a weaker operator like Ralphs or PW Super (Market Average '100' Image level), as opposed to a stronger customer acceptance level chain like Safeway or Raley's, with a higher 120 Image point basis.

Consequently, analysis shows that a weaker conventional 55,000 square foot operator with a market average '100 Image' level (**Exhibit 3**) would impact Cosentino's and Lunardi's sales by an estimated 35% and 30%, respectively. However, given a higher '120 Image' level chain operator at the site (**Exhibit 4**), sales at the neighboring two units would be impacted by 39% and 33%, respectively.

Our sales forecasts through 2012 (which considers future growth) are summarized on the two tables that follow for Site 100, as well as for Lunardi's and Cosentino's which are more proximate to redevelopment project, and hence, more adversely impacted. All of these projections include growth through 2012, the site's fifth full year of operation.

SALES SUMMARY

PROPOSED CHAIN SUPERMARKET AT SITE AT 100 IMAGE (I.E. RALPHS, PW SUPER)

SITE MAP KEY 100

SALES SUMMARY- 55,000 GSF UNIT AT 100 IMAGE
WITH ALL THE NEW COMPETITION SCHEDULED FOR 2006
(2006 DOLLARS)

	<u>2008</u>	(GROSS \$PSF)	<u>2010</u>	(GROSS \$PSF)	<u>2012</u>	(GROSS \$PSF)
WEEKLY SALES:	\$414,200	(\$7.53)	\$431,600	(\$7.85)	\$449,000	(\$8.16)
ANNUAL SALES:	\$21,538,400		\$22,443,200		\$23,348,000	

LUNARDI'S

MAP KEY 2

SALES SUMMARY- 41,000 GSF UNIT AT 66 IMAGE
WITH A CHAIN OPERATOR AT SITE 100 AT A 100 IMAGE LEVEL
(2006 DOLLARS)

	<u>2008</u>	(GROSS \$PSF)	<u>2010</u>	(GROSS \$PSF)	<u>2012</u>	(GROSS \$PSF)
WEEKLY SALES:	\$155,700	(\$3.80)	\$165,300	(\$4.03)	\$175,000	(\$4.27)
ANNUAL SALES:	\$8,096,400		\$8,595,600		\$9,100,000	

COSENTINO'S

MAP KEY 1

SALES SUMMARY- 27,000 GSF UNIT AT 90 IMAGE
WITH A CHAIN OPERATOR AT SITE 100 AT A 100 IMAGE LEVEL
(2006 DOLLARS)

	<u>2008</u>	(GROSS \$PSF)	<u>2010</u>	(GROSS \$PSF)	<u>2012</u>	(GROSS \$PSF)
WEEKLY SALES:	\$136,200	(\$5.04)	\$137,800	(\$5.10)	\$139,500	(\$5.17)
ANNUAL SALES:	\$7,082,400		\$7,165,600		\$7,254,000	

SALES SUMMARY

PROPOSED CHAIN SUPERMARKET AT SITE AT 120 IMAGE (I.E. SAFEWAY, RALEY'S)
SITE MAP KEY 100
SALES SUMMARY- 55,000 GSF UNIT AT 120 IMAGE
WITH ALL THE NEW COMPETITON SCHEDULED FOR 2006
(2006 DOLLARS)

	<u>2008</u>	(GROSS \$PSF)	<u>2010</u>	(GROSS \$PSF)	<u>2012</u>	(GROSS \$PSF)
WEEKLY SALES:	\$467,000	(\$8.49)	\$486,600	(\$8.85)	\$506,200	(\$9.20)
ANNUAL SALES:	\$24,284,000		\$25,303,200		\$26,322,400	

LUNARDI'S
MAP KEY 2
SALES SUMMARY- 41,000 GSF UNIT AT 66 IMAGE
WITH A CHAIN OPERATOR AT SITE 100 AT A 120 IMAGE LEVEL
(2006 DOLLARS)

	<u>2008</u>	(GROSS \$PSF)	<u>2010</u>	(GROSS \$PSF)	<u>2012</u>	(GROSS \$PSF)
WEEKLY SALES:	\$147,800	(\$3.60)	\$156,800	(\$3.82)	\$165,800	(\$4.04)
ANNUAL SALES:	\$7,685,600		\$8,153,600		\$8,621,600	

COSENTINO'S
MAP KEY 1
SALES SUMMARY- 27,000 GSF UNIT AT 90 IMAGE
WITH A CHAIN OPERATOR AT SITE 100 AT A 120 IMAGE LEVEL
(2006 DOLLARS)

	<u>2008</u>	(GROSS \$PSF)	<u>2010</u>	(GROSS \$PSF)	<u>2012</u>	(GROSS \$PSF)
WEEKLY SALES:	\$127,700	(\$4.73)	\$129,200	(\$4.79)	\$130,800	(\$4.84)
ANNUAL SALES:	\$6,640,400		\$6,718,400		\$6,801,600	

ASSUMPTIONS

- No customer spotting surveys were conducted nor were made available to the consultant for any of the stores surveyed in this analysis and as such, the draw or PEX values were determined by the analyst based on sister store networks, the distance of other stores from the study area in other outlying markets and 35 years of supermarket research experience. (Rick Domanski the main author of this report, was Research Director for Ralphs Grocery Company from 1975 through 2000 before joining Thompson Associates (and later becoming MapInfo).
- Besides those competitor changes discussed herein, no other competitive changes would be expected to occur in or near the trade area other than those discussed in this report. These would include any future takeovers of existing supermarkets (e.g., Albertsons).
- Population growth will occur as projected in the study or at an annual compound rate of 1.4% through 2012. Much of this growth is projected to occur in Map Sector 7, where 500 new units were considered built out next to the site by 2009 and where new growth beyond 2008 would occur at an annual average absorption rate of 250 new homes annually and east of the current urban limit.
- Sales are always presented in constant 2006 dollars and thus **do not account** for inflation.
- Leakage business is kept constant at an estimated 20% (rounded) throughout our projections and ever satisfied by operators like Costco and smaller C-stores. Historically, it has been shown that despite the intensity of competition or lack thereof, no conventional supermarket operator seems to impact Costco's phenomenal volume.

METHODOLOGY

The sales estimates presented herein were generated through the use of MODEL, a gravity model forecasting system developed decades ago for convenience driven stores like supermarkets. All commercial gravity models in use today, utilize comparable data and physical measurements including population, estimates of weekly expenditures, competitive store sizes and sales, and distances between the population centers and retail stores serving these population centers or map sectors. Accordingly, gravity models are the technique most commonly used by supermarket chains, wholesale grocers and consulting firms for developing supermarket sales projections.

The sales estimates in this study have been prepared for the first, third and fifth years of operation (2008, 2010 and 2012) assuming a late 2007 opening date. These sales estimates are presented in constant 2006 dollars and do not, therefore, reflect inflation. They are based on an average per capita weekly expenditure (PCW) of \$33.82 for the study area. The sales figures do, however, account for population growth in the trade area. Tables appended to this report reflect the Market Place As Is (**Exhibit 1**), the Projected Market Place (**Exhibits 2, 3 and 4**), a Sales Forecast table which breaks down the sales estimates by map sector, and a Trade Area Population by Sector table which depicts population changes throughout the forecast period.

The input variables necessary to run MODEL include:

- Current and projected population estimates
- Per capita expenditure estimates for food store type merchandise
- Competitive evaluations
- Distance measurements

Each of these variables is discussed as follows:

Population Estimates – The population of the trade area was broken down into map sectors. Each of these map sectors, determined in a manner that is compatible with gravity model analysis, can be seen on the appended map. All map sectors are census 2000 block groups and updated via local sources.

Per Capita Expenditure Estimates – Per capita weekly food expenditure (PCW), as used in this study, refers to the dollars spent per person, per week for the type of merchandise carried in supermarkets. The expenditure data used in this study were derived and based from U.S. Bureau of Labor Statistics information, which we believe to be the most accurate source for this data.

Competitive Evaluations – Each competitive supermarket in and around the trade area was evaluated by our analyst during an extensive in-store observation. The analyst noted several items during the in-store visit including store operations, merchandising, and physical facility. The analyst also estimated the ground floor building area size for each store, evaluated its major specialty departments, and estimated its weekly sales.

Distance Measurements – Each competitor and population map sector was located on a map of the trade area using an x-y coordinate system. It is critical that all competition and population centroids (i.e., that point in a map sector that most closely approximates the center of population) are accurately located since the geographic relationships thus established are used in simulating the trade area and developing sales forecasts. After gathering and inputting the appropriate information, the analyst “balanced” the gravity model in order to accurately simulate the trade area.

In the Market Place As Is (**Exhibit 1**) report, certain variables were input by the analyst, specifically PEXP and CURVE. PEXP is the percentage of a store's volume that is estimated to originate from within the trade area, whereas CURVE is the percentage of the store's volume estimated to originate from within a certain radius around the store.

The IMAGE factor shown on the Market Place As Is table is the relative ranking of each existing store in the market. An IMAGE of 100 would be average. While the gravity model generates IMAGE, it is dependent upon the input variables as well as the analyst's assessment of them. Once the model is "in balance and or simulated" and accurately portrays the subject trade area, the subject site and any other noted competitor changes is input and an estimated sales forecast is generated by MapInfo.

TRADE AREA/DEMOGRAPHICS

The primary trade area defined for the proposed supermarket is highlighted on the accompanying Sector and Competition Map. The trade area encompasses the southeastern portion of the City of San Jose's Evergreen Community and its future outlined growth. As the purpose of this survey was primarily to estimate the competitive sales impact upon the existing supermarket operators serving portions of the defined trade area, that area which was deemed as being convenient (usually with two miles) to the site was delineated for analysis. At its maximum extent, the trade area spans approximately 4.4 miles east to west and 4.0 miles north to south.

As defined, the trade area currently encompasses an estimated 55,721 persons and expected to increase to 60,546 persons in 2012. Much of this future growth will occur in subdivisions under construction and or approved in Map Sector 7.

Demographically, the delineated trade area is an estimated 40% White, 43% Asian/Pacific Islander, and 4% African-American. Ethnic Hispanic population accounted for about 25% of the trade area's populace. Current weighted average household income stands at an estimated \$128,884 per annum, while the trade area's median age is older, or approximately 34.4 years. The average household size is estimated at 3.5 persons per unit. The following table summarizes our population estimates by map sector.

EVERGREEN TRADE AREA DEMOGRAPHICS (MI #1588-001)

MAP SECTOR	2006 POP	2008 POP	2012 POP	AVE HH INCOME	%WHITE COLLAR	% BLACK CY	% HISP CY	% WHITE CY	%ASIAN CY	% OTHER CY	MEDIAN AGE CY
1	2396	2396	2396	\$81,844	54%	5%	33%	24%	51%	20%	29.9
2	1377	1377	1377	\$82,524	69%	7%	41%	38%	38%	17%	30.0
3	4134	4134	4134	\$94,565	62%	6%	27%	30%	51%	13%	28.6
4	1768	1768	1768	\$81,923	53%	5%	47%	31%	38%	27%	28.4
5	1153	1153	1153	\$91,683	58%	4%	26%	22%	58%	15%	28.6
6	653	669	680	\$111,022	56%	6%	37%	26%	47%	21%	28.5
7	7072	7857	11107	\$177,956	72%	3%	10%	26%	66%	5%	31.8
8	1166	1241	1284	\$132,225	70%	3%	18%	37%	51%	9%	34.5
9	2743	2743	2743	\$104,431	80%	6%	25%	58%	27%	10%	36.9
10	1349	1349	1349	\$139,106	70%	4%	25%	51%	30%	15%	35.0
11	1854	1854	1854	\$83,120	75%	3%	12%	72%	20%	5%	53.4
12	6362	6362	6562	\$117,853	85%	1%	7%	78%	18%	3%	58.8
13	2325	2332	2345	\$90,267	61%	3%	21%	26%	62%	10%	30.5
14	2497	2650	2738	\$103,446	67%	5%	28%	32%	51%	12%	30.5
15	3528	3528	3528	\$128,712	69%	3%	13%	24%	67%	6%	32.8
16	2014	2014	2014	\$120,987	55%	6%	31%	33%	45%	16%	31.7
17	2054	2054	2054	\$93,585	61%	4%	29%	36%	44%	16%	32.7
18	2116	2116	2116	\$84,479	73%	6%	26%	64%	18%	12%	36.7
19	9160	9544	9544	\$193,842	69%	4%	15%	50%	38%	8%	34.4
Total/Average	55,721	57,141	60,746	\$128,884	66%	4%	25%	40%	43%	13%	34.4

PRIMARY TRADE AREA POTENTIAL

The current trade area population is estimated at 55,721 and is estimated to increase to 60,546 by the end of the forecast period. The average PCW is estimated at \$36.82 in 2006. The ten supermarkets surveyed average 40,750 gross square feet, with an average sale per square foot of \$8.72 weekly. Total weekly grocery store expenditure potential is \$2,051,770. Of this potential the ten facilities capture \$1,634,000 or 79.6% market share. Total leakage in this market is 20.36% and is accounted for by warehouse operators like Costco and by small C-stores.

Population	55,721
Potential	\$2,051,770
Facility Volume	\$1,634,000
Leakage Amount	\$417,770
Leakage Percent	20.36%

DEFINITIONS

Market Share:	The percent of business obtained from the total potential available from within a given trade area.
PCW:	The average per capita weekly expenditure for food-at-home a given sector or trade area.
PEXP:	The percent of a store's volume that is estimated to be generated from within the defined trade area.
Potential:	The amount of supermarket merchandise dollars available for a given sector or trade area. This is the result of the population time the per capita weekly food expenditure.
Sector:	A non-overlapping partition of the trade area containing a group of homogeneous population sharing similar demographic patterns and having approximately the same access to the supermarkets in a given study area.
Sales Volume:	In the current market column refers to the estimated average weekly sales of that store during the survey period.
T.A. Change:	Represents the amount of trade area volume lost or gained by each existing store after the anticipated market changes have occurred.
Store Size:	The total square footage of a store which is considered in this analysis. With Supercenters, only a portion of the total floor is considered.
Trade Area:	Synonymous with "primary trade area". This is the area from which a given store receives the majority of its sales volume and obtains a significant market share.

MARKET PLACE AS IS

PROPOSED SUPERMARKET AND ESTIMATED IMPACT ANALYSIS
NEC SAN FELIPE ROAD/YERBA BUENA ROAD
SAN JOSE, CA (MI#1588-001)

JANUARY 10, 2006

STORE NAME	STORE NO.	SALES VOLUME	STORE SIZE	SALES/ S.F.	PEXP	T.A. VOLUME	CURVE	IMAGE
COSENTINO'S	1	210000	27000	7.78	95	199500	75	90
LUNARDI'S	2	225000	41000	5.49	90	202500	75	66
ALBRTSNS7171	3	360000	53000	6.79	85	306000	70	80
SAVE MART203	4	400000	43500	9.20	80	320000	70	108
SAFEWAY 987	5	390000	43000	9.07	45	175500	70	101
ALBRTSON7135	6	440000	60000	7.33	20	88000	70	88
ALBRTSNS7102	7	320000	50000	6.40	15	48000	70	79
MAXIM MARKET	8	210000	18000	11.67	45	94500	60	120
FOOD MAXX	9	700000	51000	13.73	20	140000	60	126
LION	10	300000	21000	14.29	20	60000	60	143
AVERAGE		355500	40750	8.72				100

TOTAL POPULATION 55721
TOTAL POTENTIAL \$2051770

AVERAGE PCW \$36.82
AVERAGE LEAKAGE 20.36%

SECTOR REPORT

SECTOR NUMBER	---POPULATION LEVELS---			CURRENT PCW	CURRENT POTENTIAL	--CURRENT LEAKAGE--	
	CURRENT	1ST YR	5TH YR			PERCENT	DOLLARS
1	2396	2396	2396	28.35	67927	19.79	13441
2	1377	1377	1377	31.76	43734	19.66	8598
3	4134	4134	4134	35.75	147791	19.69	29102
4	1768	1768	1768	29.03	51325	19.81	10168
5	1153	1153	1153	31.48	36296	19.77	7176
6	653	669	680	30.24	19747	20.00	3949
7	7072	7857	11107	36.80	260250	20.68	53826
8	1166	1241	1284	34.96	40763	19.86	8094
9	2743	2743	2743	37.85	103823	20.15	20918
10	1349	1349	1349	41.56	56064	20.73	11624
11	1854	1854	1854	45.24	83875	20.77	17421
12	6362	6362	6362	45.42	288962	21.40	61851
13	2325	2332	2345	32.36	75237	19.66	14792
14	2497	2650	2738	31.36	78306	19.80	15501
15	3528	3528	3528	34.31	121046	20.14	24376
16	2014	2014	2014	32.20	64851	19.76	12813
17	2054	2054	2054	32.41	66570	19.74	13138
18	2116	2116	2116	39.32	83201	20.03	16663
19	9160	9544	9544	39.52	362003	20.53	74319

TOTALS	55721	57141	60546		\$2051770		\$417770
AVERAGES				\$36.82		20.36%	

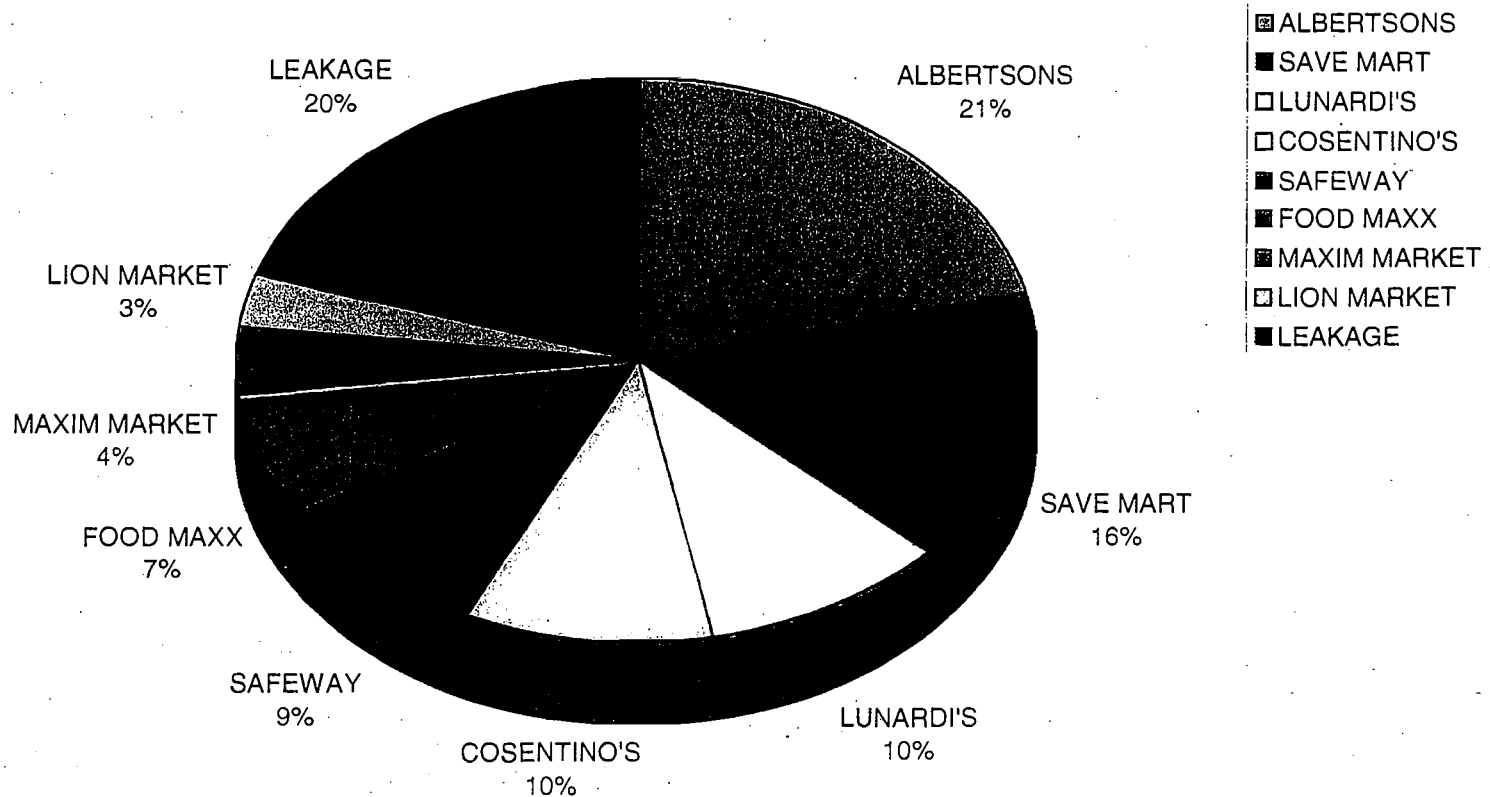
TOTAL MARKET SHARE

PROPOSED SUPERMARKET AND ESTIMATED IMPACT ANALYSIS
 NEC SAN FELIPE ROAD/YERBA BUENA ROAD
 SAN JOSE, CA (MI#1588-001)

JANUARY 10, 2006

STORE NAME	STORE NO.	ACTUAL VOLUME	ACTUAL M.S.	EST. VOLUME	EST. M.S.
COSENTINO'S	1	210000	9.7	210000	9.7
LUNARDI'S	2	225000	9.9	225000	9.9
ALBRTSNS7171	3	360000	14.9	360000	14.9
SAVE MART203	4	400000	15.6	400000	15.6
SAFEWAY 987	5	390000	8.6	390000	8.6
ALBRTSON7135	6	440000	4.3	440000	4.3
ALBRTSNS7102	7	320000	2.3	320000	2.3
MAXIM MARKET	8	210000	4.6	210000	4.6
FOOD MAXX	9	700000	6.8	700000	6.8
LION	10	300000	2.9	300000	2.9
LEAKAGE		ACTUAL -	20.4	ESTIMATED -	20.4

EVERGREEN REDEVELOPMENT SITE 100 PRIMARY TRADE AREA MARKET SHARE TODAY



PROJECTED MARKET PLACE

PROPOSED SUPERMARKET AND ESTIMATED IMPACT ANALYSIS

NEC SAN FELIPE ROAD/YERBA BUENA ROAD

SAN JOSE, CA (MI#1588-001)

SCENARIO WITH CURRENT IMPENDING COMPETITION MOVES: 1)SAFEWAY REMODELS MK5
2)LION OPENS A 25,000 SF MARKET INSIDE MK60, AND 3)MANILLA MKT OPENS MK50

JANUARY 10, 2006

STORE NAME	STORE NO.	SALES VOLUME	STORE SIZE	SALES/ S.F.	PEXP	T.A. VOLUME	T.A. CHANGE	CURVE	IMAGE
COSENTINO'S	1		27000		95	189148	-10352	75	90
LUNARDI'S	2		41000		90	188064	-14436	75	66
ALBRTSNS7171	3		53000		85	280751	-25249	70	80
SAVE MART203	4		43500		80	292801	-27199	70	108
>SAFEWAY 987	5		43000		45	189349	13849	70	120
ALBRTSON7135	6		60000		20	78683	-9317	70	88
ALBRTSNS7102	7		50000		15	34652	-13348	70	79
MAXIM MARKET	8		18000		45	86429	-8071	60	120
FOOD MAXX	9		51000		20	126927	-13073	60	126
LION	10		21000		20	36043	-23957	75	143
>MANILLA MKT	50		23000		40	96060	96060	60	100
>LION MARKET	60		25000		15	35094	35094	70	120
AVERAGE		302549	37958	7.97			0		103
TOTAL POPULATION		55721							
TOTAL POTENTIAL		\$2051770							
AVERAGE PCW		\$36.82							
AVERAGE LEAKAGE		20.36%							

PROJECTED MARKET PLACE

PROPOSED SUPERMARKET AND ESTIMATED IMPACT ANALYSIS

NEC SAN FELIPE ROAD/YERBA BUENA ROAD

SAN JOSE, CA (MI#1588-001)

ADD CHAIN UNIT WITH 100 IMAGE AT SITE 100!

SCENARIO WITH CURRENT IMPENDING COMPETITION MOVES: 1)SAFEWAY REMODELS MK5

2)LION OPENS A 25,000 SF MARKET INSIDE MK60, AND 3)MANILLA MKT OPENS MK50

JANUARY 10, 2006

STORE NAME	STORE NO.	SALES VOLUME	STORE SIZE	SALES/ S.F.	PEXP	T.A. VOLUME	T.A. CHANGE	CURVE	IMAGE
COSENTINO'S	1		27000		95	125922	-73578	75	90
LUNARDI'S	2		41000		90	134962	-67538	75	66
ALBRTSNS7171	3		53000		85	216644	-89356	70	80
SAVE MART203	4		43500		80	229045	-90955	70	108
>SAFEWAY 987	5		43000		45	152938	-22562	70	120
ALBRTSON7135	6		60000		20	68191	-19809	70	88
ALBRTSNS7102	7		50000		15	22479	-25521	70	79
MAXIM MARKET	8		18000		45	67912	-26588	60	120
FOOD MAXX	9		51000		20	103693	-36307	60	126
LION	10		21000		20	24930	-35070	75	143
>MANILLA MKT	50		23000		40	77214	77214	60	100
>LION MARKET	60		25000		15	28883	28883	70	120
>CHAIN @ 55K	100		55000		95	381190	381190	70	100

AVERAGE		248864	39269	6.34			3		103
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TOTAL POPULATION	55721
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TOTAL POTENTIAL	\$2051770
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AVERAGE PCW	\$36.82
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AVERAGE LEAKAGE	20.36%
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SALES FORECAST

PROPOSED SUPERMARKET AND ESTIMATED IMPACT ANALYSIS

NEC SAN FELIPE ROAD/YERBA BUENA ROAD

SAN JOSE, CA (MI#1588-001)

ADD CHAIN UNIT WITH 100 IMAGE AT SITE 100!

SCENARIO WITH CURRENT IMPENDING COMPETITION MOVES: 1)SAFEWAY REMODELS MK5
2)LION OPENS A 25,000 SF MARKET INSIDE MK60, AND 3)MANILLA MKT OPENS MK50

SECTOR	DISTANCE (MILES)	MATURE M.S.	EST. PCW	FIRST YEAR END		FIFTH YEAR END	
				EST. POP.	EST. SALES	EST. POP.	EST. SALES
1	2.13	1.8	28.35	2396	1253	2396	1253
2	1.73	3.3	31.76	1377	1428	1377	1428
3	1.85	2.7	35.75	4134	3988	4134	3988
4	1.91	2.7	29.03	1768	1362	1768	1362
5	1.65	3.9	31.48	1153	1407	1153	1407
6	1.63	5.1	30.24	669	1031	680	1048
7	0.90	27.4	36.80	7857	79284	11107	112080
8	0.80	13.7	34.96	1241	5948	1284	6154
9	0.56	21.9	37.85	2743	22739	2743	22739
10	0.66	33.9	41.56	1349	19025	1349	19025
11	1.04	34.4	45.24	1854	28841	1854	28841
12	1.82	30.8	45.42	6362	89089	6362	89089
13	1.51	4.8	32.36	2332	3589	2345	3609
14	1.79	3.5	31.36	2650	2870	2738	2965
15	1.32	10.1	34.31	3528	12183	3528	12183
16	1.44	5.3	32.20	2014	3430	2014	3430
17	1.17	7.7	32.41	2054	5113	2054	5113
18	0.50	20.2	39.32	2116	16790	2116	16790
19	0.82	24.9	39.52	9544	94085	9544	94085

TOTAL TRADE AREA	18.6%	\$36.82	57141	\$393455	60546	\$426589	
BEYOND TRADE AREA (5 PERCENT)				20708		22452	

GRAND TOTAL				\$414163		\$449041	

SALES FORECAST

PROPOSED SUPERMARKET AND ESTIMATED IMPACT ANALYSIS NEC SAN FELIPE ROAD/YERBA BUENA ROAD

SAN JOSE, CA (MI#1588-001) ADD CHAIN UNIT WITH 100 IMAGE AT SITE 100!
SCENARIO WITH CURRENT IMPENDING COMPETITION MOVES: 1)SAFEWAY REMODELS MK5
2)LION OPENS A 25,000 SF MARKET INSIDE MK60, AND 3)MANILLA MKT OPENS MK50

SECTOR	DISTANCE (MILES)	MATURE M.S.	EST. PCW	FIRST YEAR END		FIFTH YEAR END	
				EST. POP.	EST. SALES	EST. POP.	EST. SALES
1	2.63	0.3	28.35	2396	192	2396	192
2	2.28	0.5	31.76	1377	230	1377	230
3	2.19	0.6	35.75	4134	889	4134	889
4	1.94	1.0	29.03	1768	507	1768	507
5	1.81	1.2	31.48	1153	451	1153	451
6	1.46	2.7	30.24	669	543	680	551
7	1.95	2.6	36.80	7857	7437	11107	10513
8	1.63	1.9	34.96	1241	842	1284	872
9	1.65	2.3	37.85	2743	2391	2743	2391
10	1.06	9.3	41.56	1349	5232	1349	5232
11	1.44	8.6	45.24	1854	7181	1854	7181
12	1.88	11.0	45.42	6362	31824	6362	31824
13	2.18	0.7	32.36	2332	495	2345	498
14	2.50	0.4	31.36	2650	334	2738	345
15	2.34	0.8	34.31	3528	983	3528	983
16	1.68	1.5	32.20	2014	999	2014	999
17	1.60	1.8	32.41	2054	1184	2054	1184
18	1.25	3.6	39.32	2116	3015	2116	3015
19	0.42	17.1	39.52	9544	64623	9544	64623
TOTAL TRADE AREA				57141	\$129352	60546	\$132480
BEYOND TRADE AREA (5 PERCENT)					6808		6973
GRAND TOTAL					\$136160		\$139453

SALES FORECAST

PROPOSED SUPERMARKET AND ESTIMATED IMPACT ANALYSIS

NEC SAN FELIPE ROAD/YERBA BUENA ROAD

SAN JOSE, CA (MI#1588-001)

ADD CHAIN UNIT WITH 100 IMAGE AT SITE 100!

SCENARIO WITH CURRENT IMPENDING COMPETITION MOVES: 1)SAFEWAY REMODELS MK5

2)LION OPENS A 25,000 SF MARKET INSIDE MK60, AND 3)MANILLA MKT OPENS MK50

SECTOR	DISTANCE (MILES)	MATURE M.S.	EST. PCW	FIRST YEAR END		FIFTH YEAR END	
				EST. POP.	EST. SALES	EST. POP.	EST. SALES
1	1.66	1.7	28.35	2396	1156	2396	1156
2	1.29	2.9	31.76	1377	1270	1377	1270
3	1.56	1.9	35.75	4134	2794	4134	2794
4	1.86	1.3	29.03	1768	652	1768	652
5	1.58	2.0	31.48	1153	731	1153	731
6	1.79	1.8	30.24	669	368	680	374
7	0.87	14.2	36.80	7857	41149	11107	58170
8	0.48	9.8	34.96	1241	4256	1284	4404
9	0.27	14.6	37.85	2743	15126	2743	15126
10	1.40	6.5	41.56	1349	3649	1349	3649
11	1.66	6.9	45.24	1854	5767	1854	5767
12	2.46	4.5	45.42	6362	13099	6362	13099
13	0.99	4.6	32.36	2332	3502	2345	3522
14	1.18	3.9	31.36	2650	3240	2738	3348
15	0.50	13.3	34.31	3528	16146	3528	16146
16	1.37	2.8	32.20	2014	1827	2014	1827
17	1.05	4.5	32.41	2054	2967	2054	2967
18	0.68	8.5	39.32	2116	7079	2116	7079
19	1.63	4.1	39.52	9544	15376	9544	15376

TOTAL TRADE AREA	6.6%	\$36.82	57141	\$140154	60546	\$157457
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BEYOND TRADE AREA (10 PERCENT)				15573		17495
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GRAND TOTAL				\$155727		\$174952
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PROJECTED MARKET PLACE

PROPOSED SUPERMARKET AND ESTIMATED IMPACT ANALYSIS

NEC SAN FELIPE ROAD/YERBA BUENA ROAD

SAN JOSE, CA (MI#1588-001)

ADD CHAIN UNIT WITH 120 IMAGE AT SITE 100!

SCENARIO WITH CURRENT IMPENDING COMPETITION MOVES: 1)SAFEWAY REMODELS MK5

2)LION OPENS A 25,000 SF MARKET INSIDE MK60, AND 3)MANILLA MKT OPENS MK50

JANUARY 10, 2006

STORE NAME	STORE NO.	SALES VOLUME	STORE SIZE	SALES/ S.F.	PEXP	T.A. VOLUME	T.A. CHANGE	CURVE	IMAGE
COSENTINO'S	1		27000		95	118139	-81361	75	90
LUNARDI'S	2		41000		90	128141	-74359	75	66
ALBRTSNS7171	3		53000		85	208224	-97776	70	80
SAVE MART203	4		43500		80	220619	-99381	70	108
>SAFEWAY 987	5		43000		45	148056	-27444	70	120
ALBRTSON7135	6		60000		20	66675	-21325	70	88
ALBRTSNS7102	7		50000		15	21022	-26978	70	79
MAXIM MARKET	8		18000		45	65491	-29009	60	120
FOOD MAXX	9		51000		20	100573	-39427	60	126
LION	10		21000		20	24501	-35499	75	143
>MANILLA MKT	50		23000		40	74687	74687	60	100
>LION MARKET	60		25000		15	28036	28036	70	120
>CHAIN @ 55K	100		55000		95	429837	429837	70	120

AVERAGE		245154	39269	6.24			0		105
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TOTAL POPULATION 55721

TOTAL POTENTIAL \$2051770

AVERAGE PCW \$36.82

AVERAGE LEAKAGE 20.36%

SALES FORECAST

PROPOSED SUPERMARKET AND ESTIMATED IMPACT ANALYSIS

NEC SAN FELIPE ROAD/YERBA BUENA ROAD

SAN JOSE, CA (MI#1588-001)

ADD CHAIN UNIT WITH 120 IMAGE AT SITE 100!

SCENARIO WITH CURRENT IMPENDING COMPETITION MOVES: 1)SAFEWAY REMODELS MK5

2)LION OPENS A 25,000 SF MARKET INSIDE MK60, AND 3)MANILLA MKT OPENS MK50

SECTOR	DISTANCE (MILES)	MATURE M.S.	EST. PCW	FIRST YEAR END		FIFTH YEAR END	
				EST. POP.	EST. SALES	EST. POP.	EST. SALES
1	2.13	2.2	28.35	2396	1497	2396	1497
2	1.73	3.9	31.76	1377	1700	1377	1700
3	1.85	3.2	35.75	4134	4754	4134	4754
4	1.91	3.2	29.03	1768	1624	1768	1624
5	1.65	4.6	31.48	1153	1672	1153	1672
6	1.63	6.0	30.24	669	1221	680	1241
7	0.90	30.8	36.80	7857	88988	11107	125798
8	0.80	15.9	34.96	1241	6902	1284	7141
9	0.56	24.9	37.85	2743	25868	2743	25868
10	0.66	37.5	41.56	1349	21030	1349	21030
11	1.04	38.0	45.24	1854	31845	1854	31845
12	1.82	34.3	45.42	6362	99130	6362	99130
13	1.51	5.6	32.36	2332	4257	2345	4281
14	1.79	4.1	31.36	2650	3415	2738	3528
15	1.32	11.8	34.31	3528	14261	3528	14261
16	1.44	6.3	32.20	2014	4063	2014	4063
17	1.17	9.0	32.41	2054	6021	2054	6021
18	0.50	23.1	39.32	2116	19180	2116	19180
19	0.82	28.2	39.52	9544	106233	9544	106233
TOTAL TRADE AREA				57141	\$443661	60546	\$480867
BEYOND TRADE AREA (5 PERCENT)					23351		25309
GRAND TOTAL					\$467012		\$506176

SALES FORECAST

PROPOSED SUPERMARKET AND ESTIMATED IMPACT ANALYSIS

NEC SAN FELIPE ROAD/YERBA BUENA ROAD

SAN JOSE, CA (MI#1588-001)

ADD CHAIN UNIT WITH 120 IMAGE AT SITE 100!

SCENARIO WITH CURRENT IMPENDING COMPETITION MOVES: 1)SAFEWAY REMODELS MK5
2)LION OPENS A 25,000 SF MARKET INSIDE MK60, AND 3)MANILLA MKT OPENS MK50

SECTOR	DISTANCE (MILES)	MATURE M.S.	EST. PCW	FIRST YEAR END		FIFTH YEAR END	
				EST. POP.	EST. SALES	EST. POP.	EST. SALES
1	2.63	0.3	28.35	2396	191	2396	191
2	2.28	0.5	31.76	1377	228	1377	228
3	2.19	0.6	35.75	4134	883	4134	883
4	1.94	1.0	29.03	1768	503	1768	503
5	1.81	1.2	31.48	1153	446	1153	446
6	1.46	2.6	30.24	669	536	680	545
7	1.95	2.4	36.80	7857	6956	11107	9833
8	1.63	1.9	34.96	1241	815	1284	843
9	1.65	2.2	37.85	2743	2266	2743	2266
10	1.06	8.6	41.56	1349	4819	1349	4819
11	1.44	7.9	45.24	1854	6607	1854	6607
12	1.88	10.2	45.42	6362	29508	6362	29508
13	2.18	0.6	32.36	2332	489	2345	492
14	2.50	0.4	31.36	2650	331	2738	342
15	2.34	0.8	34.31	3528	959	3528	959
16	1.68	1.5	32.20	2014	986	2014	986
17	1.60	1.7	32.41	2054	1161	2054	1161
18	1.25	3.4	39.32	2116	2870	2116	2870
19	0.42	16.1	39.52	9544	60806	9544	60806
TOTAL TRADE AREA				57141	\$121360	60546	\$124288
BEYOND TRADE AREA (5 PERCENT)					6387		6541
GRAND TOTAL					\$127747		\$130829

SALES FORECAST

PROPOSED SUPERMARKET AND ESTIMATED IMPACT ANALYSIS

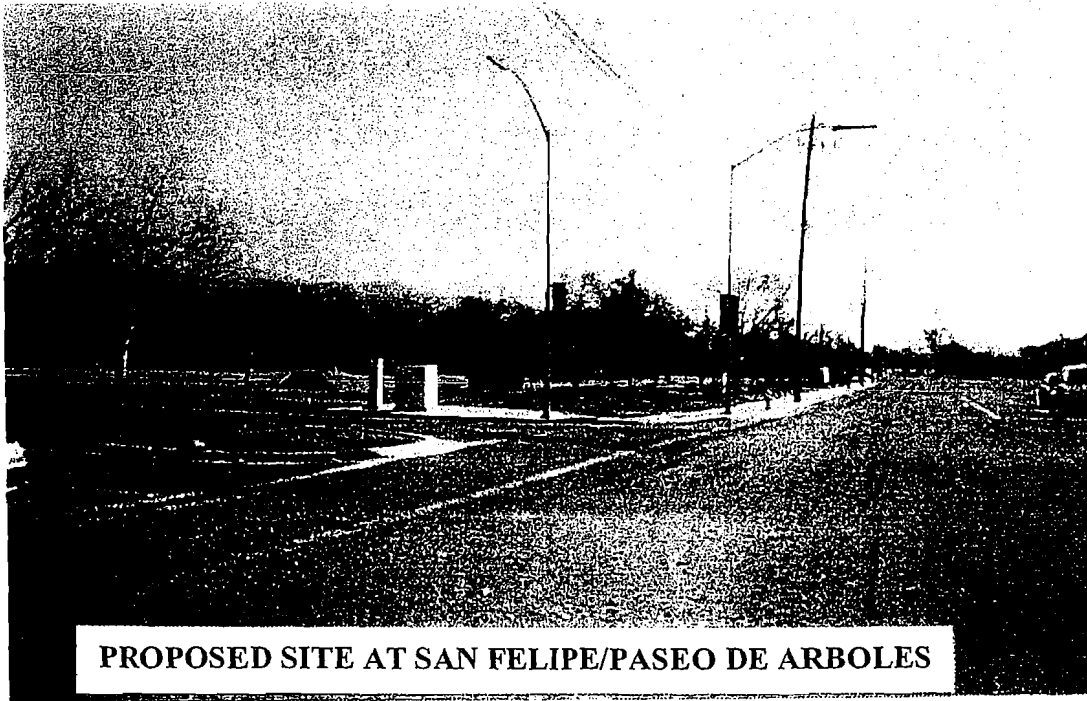
NEC SAN FELIPE ROAD/YERBA BUENA ROAD

SAN JOSE, CA (MI#1588-001)

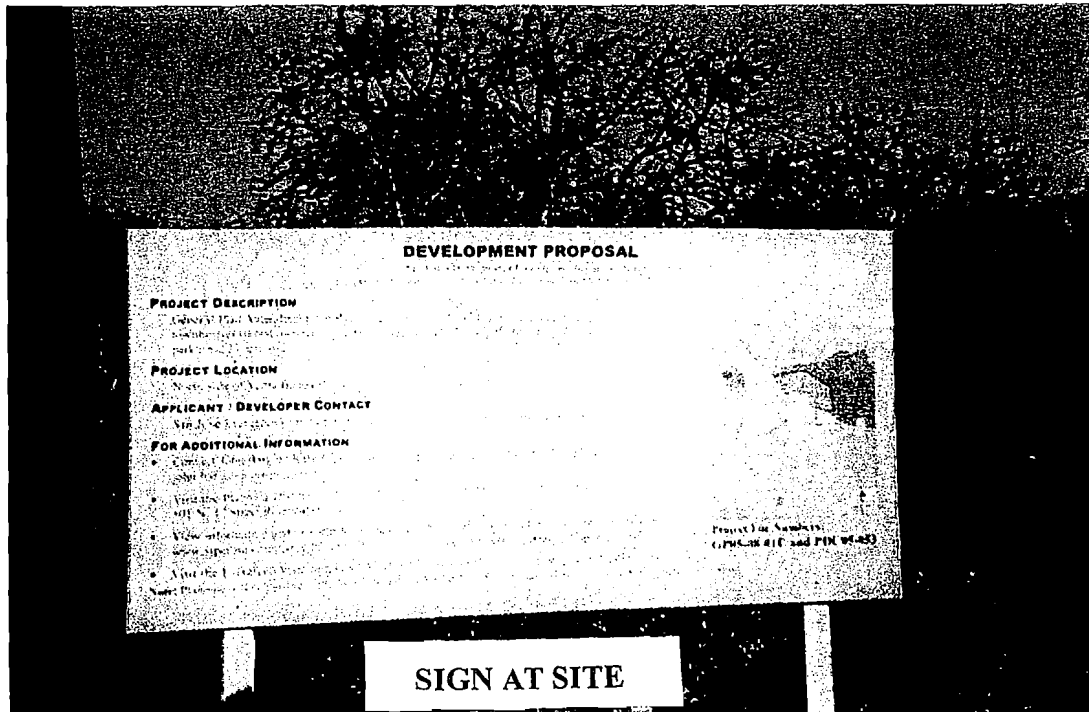
ADD CHAIN UNIT WITH 120 IMAGE AT SITE 100!

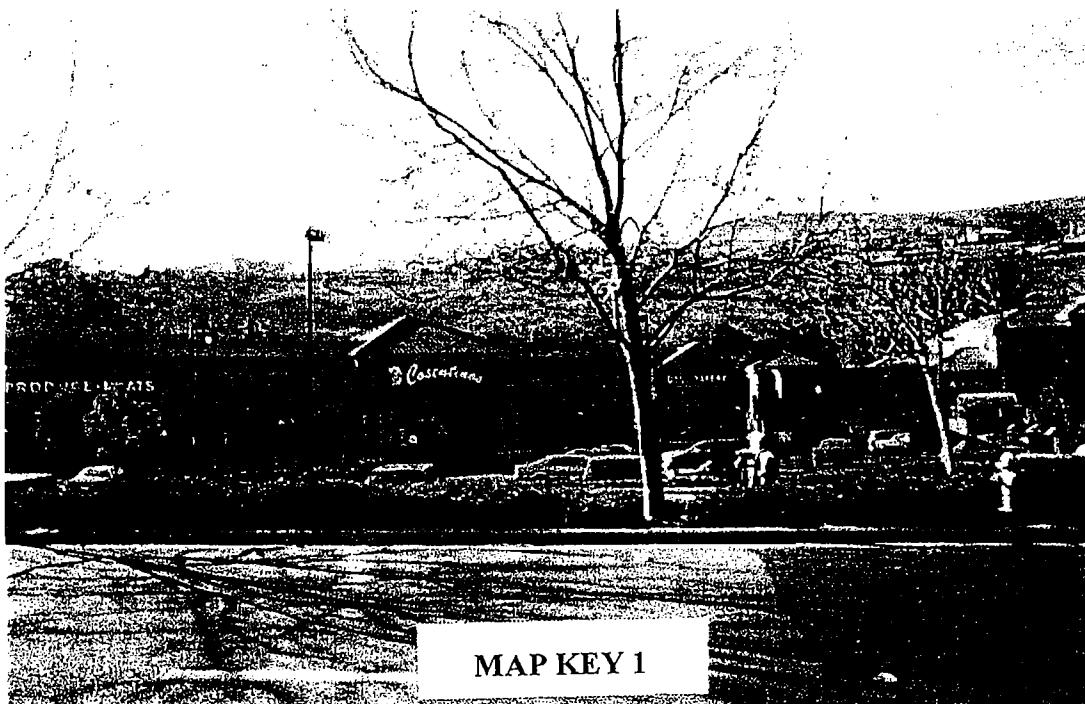
SCENARIO WITH CURRENT IMPENDING COMPETITION MOVES: 1)SAFeway REMODELS MK5
2)LION OPENS A 25,000 SF MARKET INSIDE MK60, AND 3)MANILLA MKT OPENS MK50

SECTOR	DISTANCE (MILES)	MATURE M.S.	EST. PCW	FIRST YEAR END		FIFTH YEAR END	
				EST. POP.	EST. SALES	EST. POP.	EST. SALES
1	1.66	1.7	28.35	2396	1151	2396	1151
2	1.29	2.9	31.76	1377	1259	1377	1259
3	1.56	1.9	35.75	4134	2776	4134	2776
4	1.86	1.3	29.03	1768	648	1768	648
5	1.58	2.0	31.48	1153	724	1153	724
6	1.79	1.8	30.24	669	363	680	369
7	0.87	13.3	36.80	7857	38488	11107	54408
8	0.48	9.5	34.96	1241	4115	1284	4258
9	0.27	13.8	37.85	2743	14340	2743	14340
10	1.40	6.0	41.56	1349	3362	1349	3362
11	1.66	6.3	45.24	1854	5306	1854	5306
12	2.46	4.2	45.42	6362	12147	6362	12147
13	0.99	4.6	32.36	2332	3461	2345	3481
14	1.18	3.9	31.36	2650	3212	2738	3319
15	0.50	13.0	34.31	3528	15749	3528	15749
16	1.37	2.8	32.20	2014	1803	2014	1803
17	1.05	4.4	32.41	2054	2911	2054	2911
18	0.68	8.1	39.32	2116	6739	2116	6739
19	1.63	3.8	39.52	9544	14467	9544	14467
TOTAL TRADE AREA				57141	\$133021	60546	\$149217
BEYOND TRADE AREA (10 PERCENT)					14780		16580
GRAND TOTAL					\$147801		\$165797

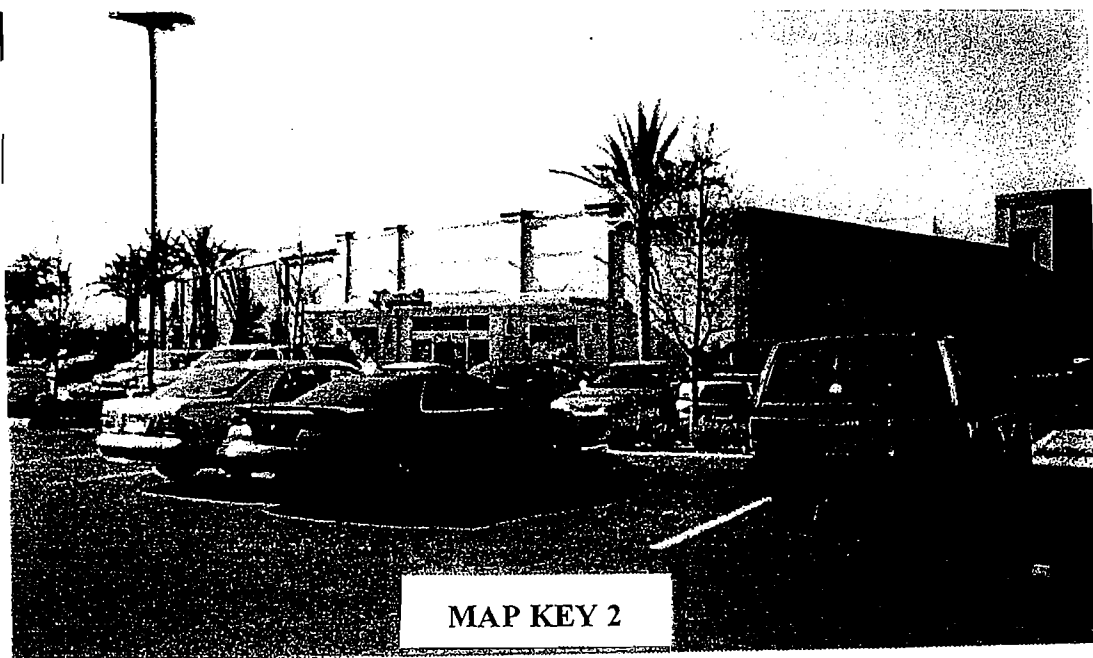


PROPOSED SITE AT SAN FELIPE/PASEO DE ARBOLES

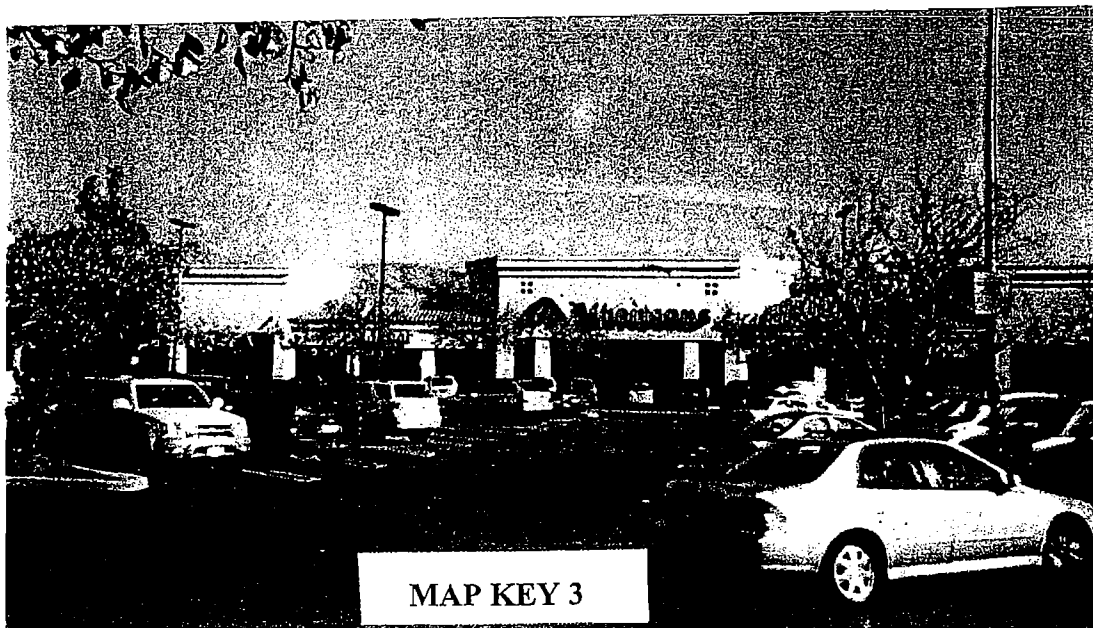




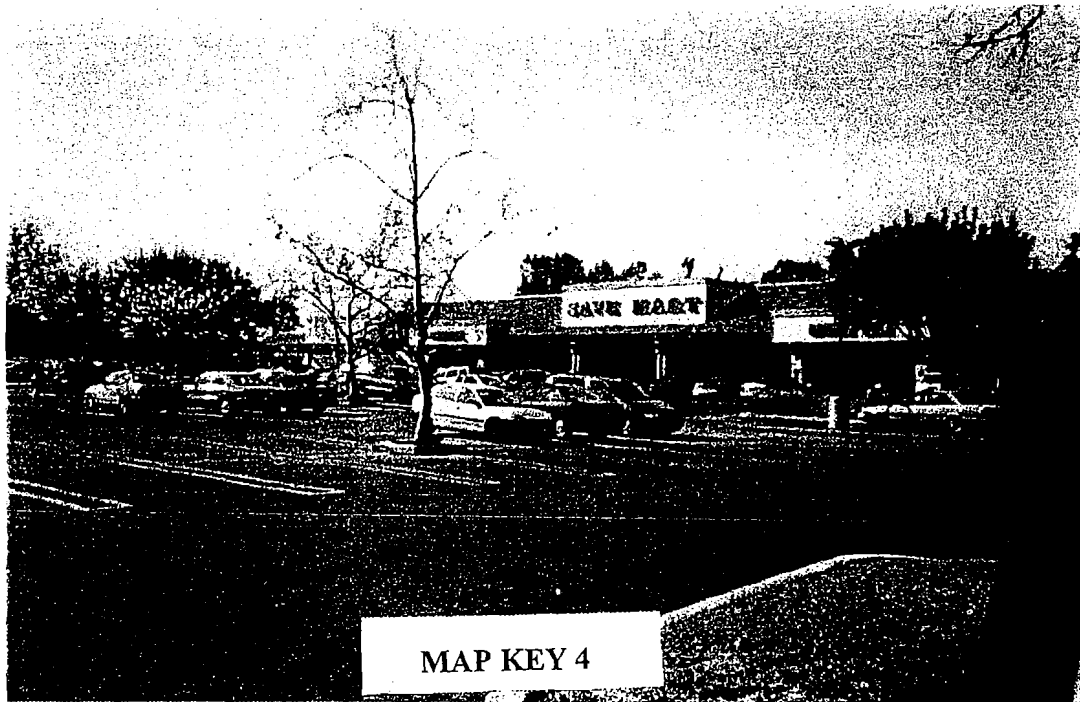
MAP KEY 1



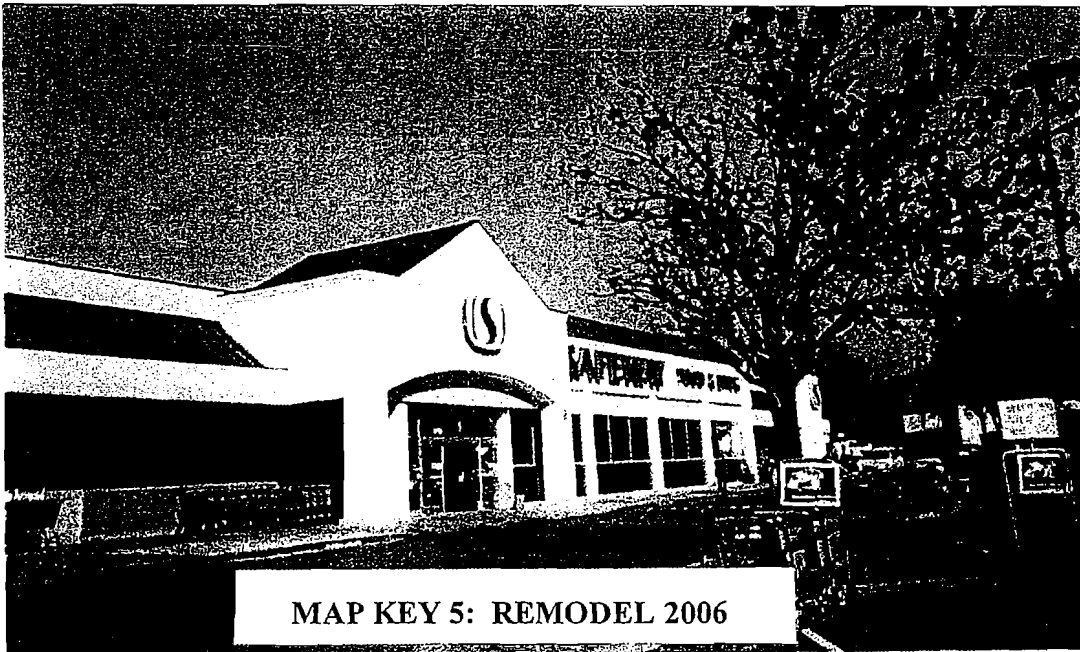
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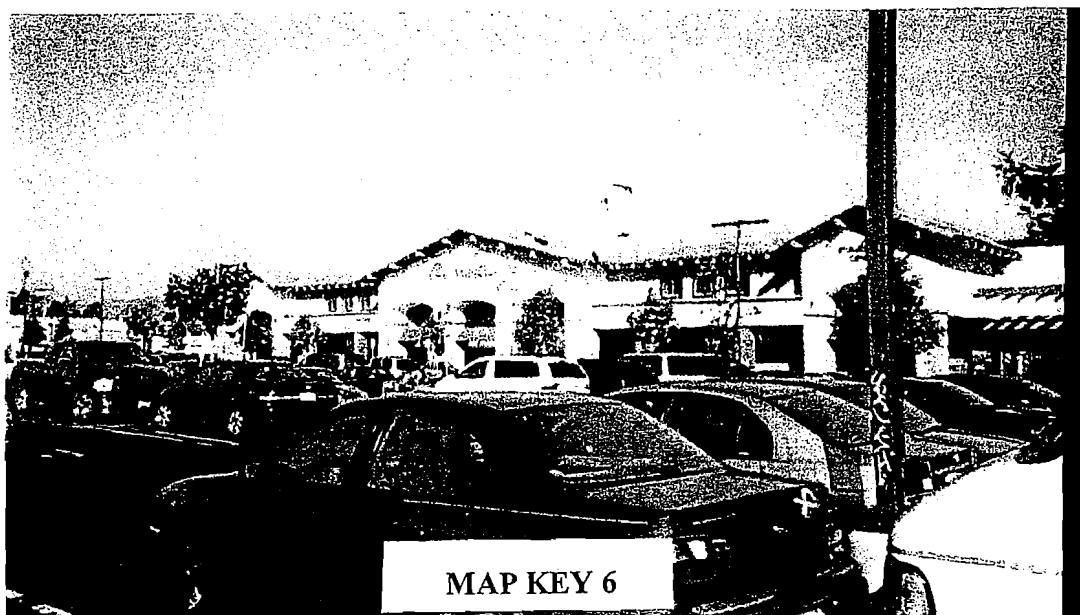
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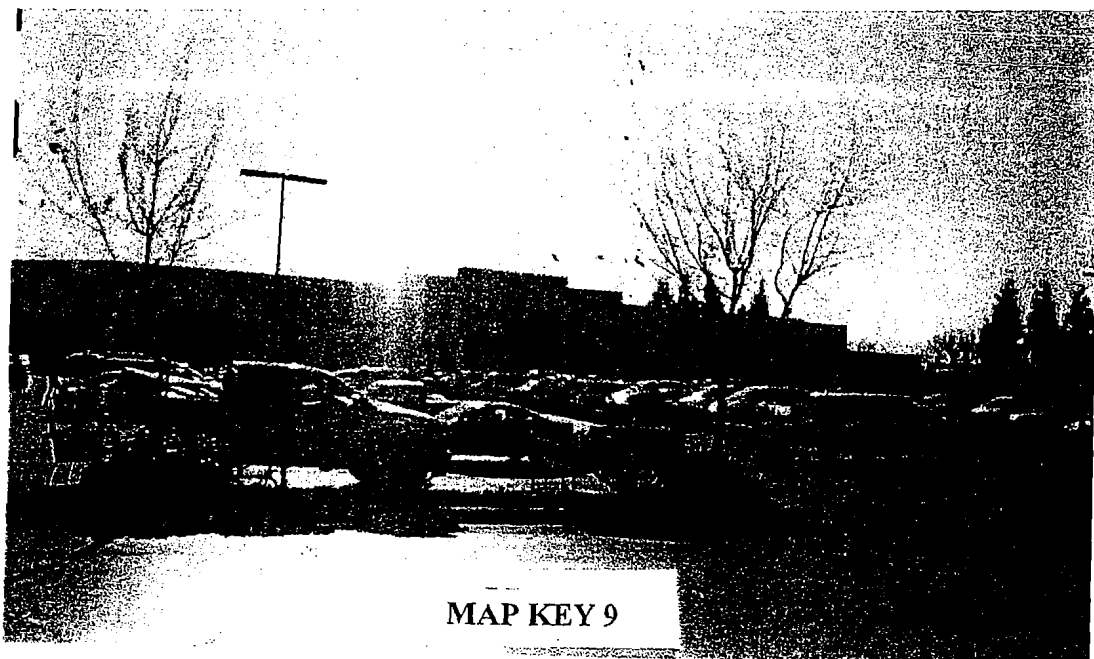
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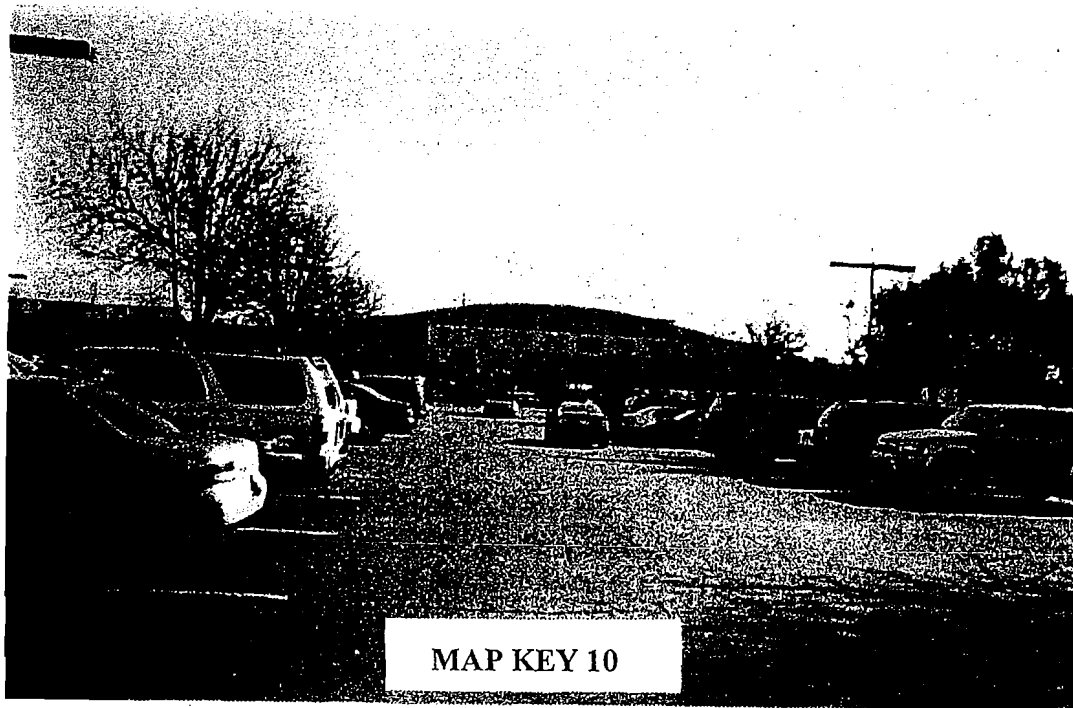


MAP KEY 5: REMODEL 2006



MAP KEY 6

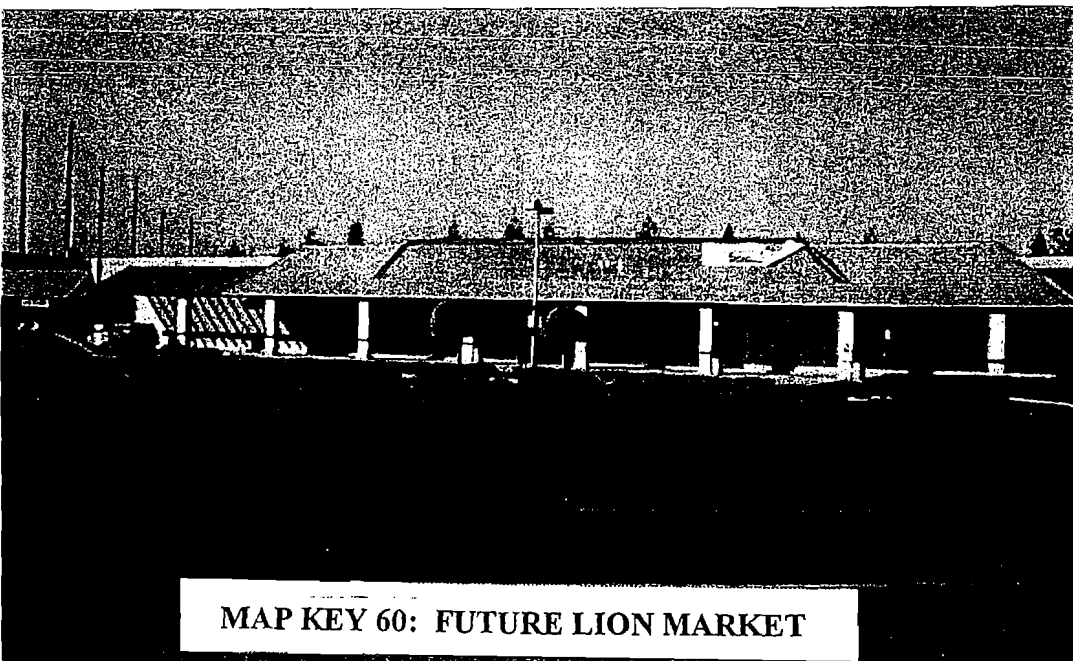




MAP KEY 10



MAP KEY 50: FUTURE MANILLA MARKET



MAP KEY 60: FUTURE LION MARKET

PROPOSED SUPERMARKET SITE
SEC SAN FELIPE RD/PASEO DE ARBOLES
SAN JOSE, CA



Future/Proposed Competition

- P. Manila Market
- P. Lion Market

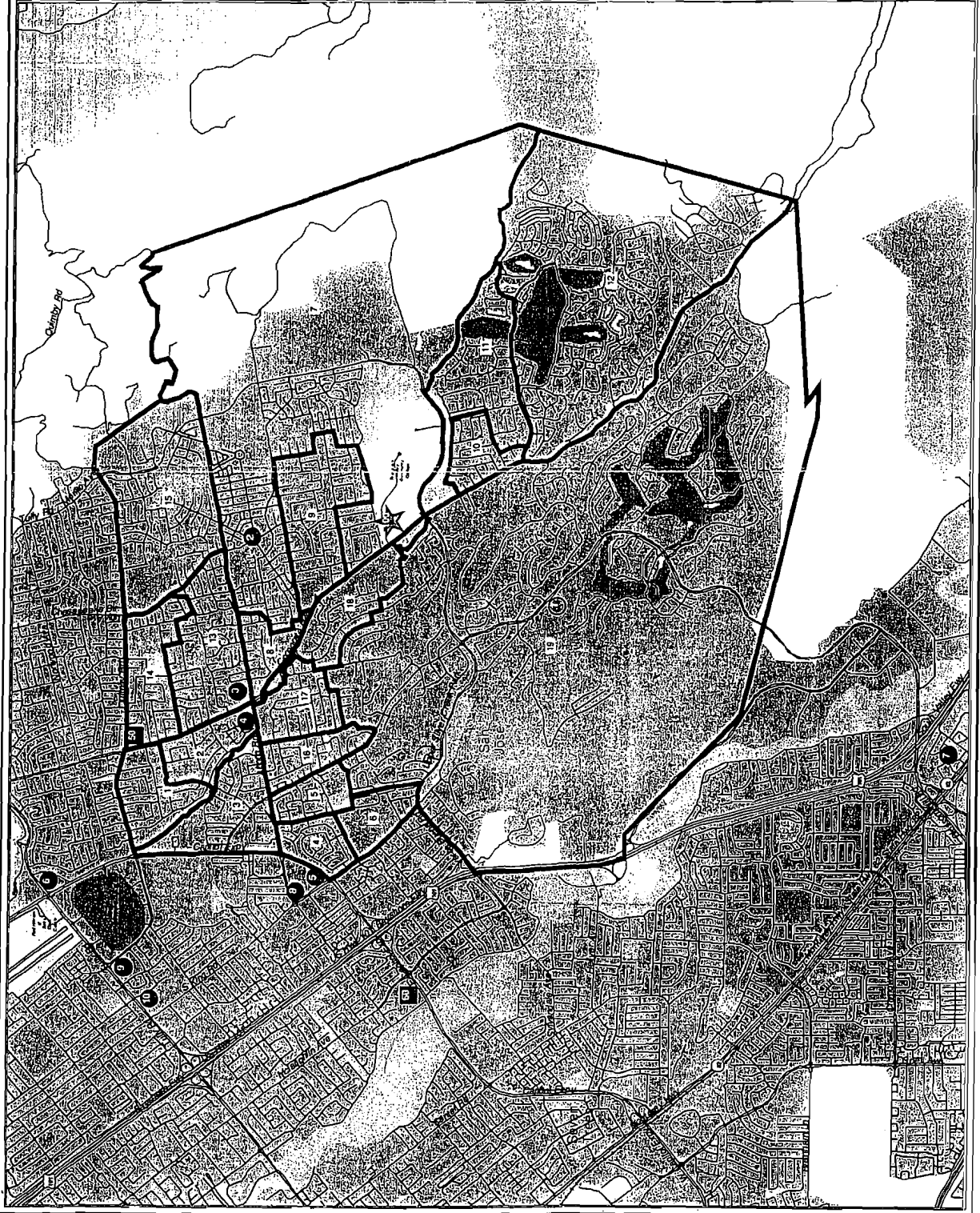
Competition

- Cosentino's
- Lunardi's
- Albertsons
- Save Mart
- Safeway
- Maxim
- Food Maxx
- Lion

Trade Area and Map Sectors

Major Roads

- Limited Access
- Primary
- Secondary
- Ramp
- Ferry
- Minor Roads
- Railroads
- Parks
- Water



MI #1588-001
1/11/06



Silver Creek Valley Country Club Proposed Retail Center

(PRE-2000) DATED -
SITE: 30,000 to 65,000 sf, proposed
DEVELOPER: Twenty Second Century Development

Shopping Centers

- 1 Eastridge Mall Macy's, Sears, JC Penney, Circuit City, Michael's, Arts & Crafts
- 2 Evergreen Plaza Saveman
- 3 Evergreen Valley Plaza Lucky Longs
- 4 Evergreen Valley Center Taco Bell, Chicago Tille
- 5 San Felipe Plaza Walls Fargo EZ Mart
- 6 Shoppeil Proposed Retail - 115,000 sf
- 7 Evergreen College Proposed Retail - 5 acres
- 8 The Villages Plaza Bonlare Market Bank of America
- 9 Monterey Plaza Lucky, Walgreens, Walmart
- 10 Silver Creek Marketplace Hollywood Video, Padio's
- 11 Target
- 12 Silver Creek Plaza Safeway, Orchard Supply, Walgreens
- 13 Aborn Square Ross

Proposed homes

- 1 1000 sq ft
- 2 1200 sq ft
- 3 1400 sq ft
- 4 1600 sq ft
- 5 1800 sq ft
- 6 2000 sq ft
- 7 2200 sq ft
- 8 2400 sq ft
- 9 2600 sq ft
- 10 2800 sq ft
- 11 3000 sq ft
- 12 3200 sq ft
- 13 3400 sq ft
- 14 3600 sq ft
- 15 3800 sq ft
- 16 4000 sq ft
- 17 4200 sq ft
- 18 4400 sq ft
- 19 4600 sq ft
- 20 4800 sq ft
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September 15, 2006

ALFRED GOBAR ASSOCIATES



Mr. Kelly Erardi
SHAPELL INDUSTRIES OF NORTHERN CALIFORNIA
P.O. Box 361169
Milpitas, CA 53035
Sent Via Mail & Email: kerardi@sincal.com

Subject: Low Impact Retail Opportunity in Evergreen Trade Area

Dear Mr. Erardi:

The Evergreen Area includes several attractive hillside neighborhoods of San Jose that have been the focus of considerable planning attention, including the Evergreen – East Hills Vision Strategy, to best serve the needs of existing and future residents as this portion of the City reaches build out. An important planning consideration is providing an ample supply of retail development that adequately serves Evergreen consumer demands but does not result in an excess supply of businesses likely to cause an adverse impact on the vibrant role desired for all retail land use currently serving this area of San Jose.

Retail Setting

The Evergreen Valley Community College District is seeking to develop its property at the corner of Yerba Buena Road and San Felipe Road (College Site) into a community-serving retail center anchored by a major chain supermarket. Eleven supermarkets occupying over 434,000 square feet of building space currently exist within 3.5 miles of the College Site, including Lunardi's in the Evergreen Village Center (located 0.6 miles to the north) and Cosentino's in the Canyon Creek Plaza (located 1.1 miles to the southwest). These existing retail centers, that were integral to prior planning efforts in the area, have expressed significant concern that an additional supermarket in the area, and in particular at the College Site would, not only be contrary to previously approved and publicly-vetted planning efforts, but would severely and adversely impact existing supermarkets and other retail tenants in affected centers, due to an already abundant supply of such food store operations.

Success Of A New Grocery Store At The College Site Would Be At The Expense Of Others

An independent study by MapInfo determined that although the College Site is an attractive location for a retail anchor, any successful supermarket operator will likely capture away a substantial share of sales that now flows to existing markets (as much 30% to 35% from the closest supermarkets).

Similarly, we performed an independent analysis last year and found that residual sales potential at the College Site was not adequate to support another major-chain supermarket within the Evergreen trade area (without taking away a substantial share of sales support at existing supermarkets) — even with build-out of the additional residential development proposed by the Evergreen - East Hills Vision Strategy. The study used a 2.0-mile radius to estimate sale potential, accounting for geographic

Mr. Kelly Erardi
Low Impact Retail Opportunity In Evergreen Trade Area
Page 2

distribution of existing supermarkets and their impact on sales support at the College Site. Several prospective target store platforms were evaluated for the site from 20,000 to 60,000 square feet. In every instance, site-specific performance fell short of a threshold profitability requirement due to competitive interaction of the site and surrounding markets. While the College Site is a relatively attractive venue for retail merchandising, the Evergreen trade area is already served by an ample supply of food store supermarkets.

Additional Grocery Store Would Negatively Affect Non-Anchor Tenants In Nearby Centers

Potential adverse impacts associated with an additional supermarket at the College Site is not strictly limited to existing supermarkets alone, but is also a real threat to all retail tenants in each affected shopping center. Anchor stores are critical to the success of retail concentrations exceeding 25,000 to 30,000 square feet because they most often generate repeat shopping visits that drive sales support in many of the adjacent non-anchor shops (in-line stores, pad retailers, etc.). Non-anchor tenants invariably depend on a viable supermarket operation for their own success, and would be adversely impacted if the existing market to which their prospects are tied were to go out of business as a result of over-saturation of the market. The success of a new 50,000-square-foot supermarket at the College Site would be at the expense of nearby retailers and would significantly dilute sales that currently flow to existing stores such as Lunardi's and Cosentino's.

Opportunity Exists For Non-Grocery Anchors At The College Site

Our market study was not limited to the analysis of supermarket potential alone. Within the scope of the June 2005 retail analysis, over 2.7 million square feet of anchor retail space within the Evergreen trade area was identified, measured, and classified according to 12 distinct store-type categories (including grocery stores). The supply of existing anchor stores competing within a neighborhood- (2-mile) and regional-oriented (5-mile) trade area surrounding the College Site ("Evergreen Marketplace") is significant and yet market opportunity for additional selected types of anchor stores also exists.

In performing our analysis, we identify marketable potential as residual sales support likely to be captured at the identified site after first accounting for the competitive influence of existing stores. In other words, we determine what sales exist for a retailer at a specific location, taking into account the competition. This conservative approach reflects the viewpoint that an existing anchor store near the site will have a greater impact on sales potential than a similar store located some distance from the site. Also, existing retailers will vigorously defend store sales (loyalty clubs, promotions, etc.) to minimize a potential shift in support to a new operator. In addition, the residual level of sales support (i.e., sales per square foot) must be sufficiently high to attract serious interest from a chain-store or strong independent operator. (Different threshold levels exist for a different store type activity.) The results of this analysis are summarized in Exhibit A attached hereto.

Mr. Kelly Erardi
 Low Impact Retail Opportunity In Evergreen Trade Area
 Page 3

The analysis demonstrates that no realistic potential exists for a supermarket at the College Site without necessarily capturing customers currently using existing stores. However, strong near-term potential exists for the following non-grocery anchor store activities at the College Site:


Anchor Store Type Activity	Notable Exemplar Chain-Store Operations
Family Clothing	Stein Mart; Old Navy, Nordstrom Rack
Limited Price Variety Store	Big Lots, Dollar Tree, Tuesday Afternoon
Bedding & Housewares	Bed-Bath-Beyond; Williams-Sonoma; Crate & Barrel
Home Furnishings Stores	Simmons Mattress; Pier 1 Imports; Bombay
Sporting Goods Store	Big 5 Sporting Goods; REI; North Face
Bookstores	Borders; Barnes & Noble
Office Supply Store	Staples; Office Max; Office Depot
Misc/Specialty Retail Stores	Michael's; Petco; Party City

These types of anchor stores represent realistic existing opportunity to better serve retail needs within southeast San Jose without adversely impacting existing neighborhood centers that perform a critical function in serving the day-to-day consumption needs of the Evergreen community, and that were approved pursuant to a comprehensive planning process.

Conclusion

As noted above, development of a new supermarket at the College Site would have significant adverse impacts not only to existing nearby supermarkets due to over-saturation, but to all retail tenants in affected neighboring retail centers whose viability is tied to their grocery anchors. However, our analysis has concluded that ample opportunity exists to support a variety of non-grocery anchor stores at the College Site without causing significant harm to surrounding retail centers, thereby better serving the demands of the Evergreen area while avoiding a conflict with prior planning efforts that gave rise to existing centers such as Evergreen Village and Canyon Creek Plaza.

Very truly yours,
 ALFRED GOBAR ASSOCIATES



Alonzo Pedrin
 Principal
 (714) 772-8900 x310

EXHIBIT A

RETAIL SALES POTENTIAL FOR ADDITIONAL ANCHOR STORE MERCHANDISERS EVERGREEN MARKETPLACE* --- SAN JOSE, CA JUNE 2005

Anchor Store Type	Floor Space Parameters (Sq Ft)			Near-Term Market		Within 5 Years		Threshold Market
	Typical Size Range Of Merchandisers	Relevant Trade Area	Target Store Size	Effective Sales/Sq Ft	Anchor Feasibility	Effective Sales/Sq Ft	Anchor Feasibility	Min Threshold Population
Grocery Stores: Option 1	20,000 - 65,000	2-Mile	20,000	\$202	Not Feasible	\$288	Not Feasible	90,000 2-Mile
Option 2	20,000 - 65,000	2-Mile	30,000	\$193	Not Feasible	\$275	Not Feasible	95,000 2-Mile
Option 3	20,000 - 65,000	2-Mile	40,000	\$185	Not Feasible	\$263	Not Feasible	100,000 2-Mile
Option 4	20,000 - 65,000	2-Mile	60,000	\$170	Not Feasible	\$242	Not Feasible	105,000 2-Mile
General Merchandise	90,000 - 250,000	3 to 5-Mile	90,000	\$140	Not Feasible	\$147	Not Feasible	520,000 5-Mile
<input checked="" type="checkbox"/> Family Clothing	10,000 - 30,000	3 to 5-Mile	15,000	\$338	Very Strong	\$353	Very Strong	Existing Pop.
<input checked="" type="checkbox"/> Limited Price Variety Store	10,000 - 22,000	3 to 5-Mile	20,000	\$416	Very Strong	\$420	Very Strong	Existing Pop.
<input checked="" type="checkbox"/> Bedding & Housewares	15,000 - 30,000	3 to 5-Mile	20,000	\$586	Very Strong	\$613	Very Strong	Existing Pop.
Home Electronics & Appliances	15,000 - 50,000	3 to 5-Mile	30,000	\$239	Not Feasible	\$235	Not Feasible	510,000 5-Mile
<input checked="" type="checkbox"/> Home Furnishings Stores	10,000 - 40,000	3 to 5-Mile	20,000	\$191	Very Strong	\$199	Very Strong	Existing Pop.
Home Improvement Store	90,000 - 140,000	3 to 5-Mile	110,000	\$271	Competitive	\$275	Competitive	350,000 5-Mile
<input checked="" type="checkbox"/> Sporting Goods Store	10,000 - 40,000	3 to 5-Mile	20,000	\$272	Very Strong	\$284	Very Strong	Existing Pop.
<input checked="" type="checkbox"/> Bookstores	12,000 - 35,000	3 to 5-Mile	25,000	\$685	Very Strong	\$715	Very Strong	Existing Pop.
<input checked="" type="checkbox"/> Office Supply Store	15,000 - 40,000	3 to 5-Mile	20,000	\$978	Very Strong	\$1,022	Very Strong	Existing Pop.
<input checked="" type="checkbox"/> Misc/Specialty Retail Stores	10,000 - 40,000	3 to 5-Mile	20,000	\$1,775	Very Strong	\$912	Very Strong	Existing Pop.
Feasible Anchor Supply:				160,000	Sq. Ft.	160,000	Sq. Ft.	
Current/Projected Population:				2-Miles	41,500	2-Miles	59,100**	
				3-Miles	96,500	3-Miles	112,800	
				5-Miles	311,200	5-Miles	325,200	

* Located at 4850 San Felipe Road, San Jose, Ca.

** Includes optimistic population increase expected from residential development

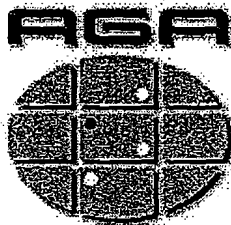
Source: Alfred Gobar Associates

EVERGREEN RETAIL MARKET ANALYSIS

EVERGREEN RETAIL MARKET ANALYSIS

Prepared for:
SHAPELL INDUSTRIES OF NORTHERN CALIFORNIA

June 2005



ALFRED GOBAR ASSOCIATES

Table of Contents

CHAPTER		PAGE
I	INTRODUCTION	I-1
	Purpose	I-1
	Evergreen Village Center.....	I-1
	Location	I-1
	Tenants and Center Design.....	I-2
	Evergreen Visioning Project Area (EVPA).....	I-3
	Methodology	I-4
II	SUMMARY AND CONCLUSIONS	II-1
III	RETAIL ANALYSIS	III-1
	Relevant Trade Area Setting	III-1
	Trade Area Demographics.....	III-2
	Competitive Findings	III-4
	Anchors.....	III-4
	Shopping Center/In-Line.....	III-6
	Retail Market Potential.....	III-7
	Anchor Retail Potential for Evergreen Village Center.....	III-7
	Anchor Retail Potential for Evergreen Marketplace.....	III-9
	Non-Anchor Retail Potential for Evergreen Village Center	III-10
EXHIBIT		
I-1	City of San Jose, California Map	I-5
I-2	Average Daily Traffic Counts Evergreen Village Center	I-6
I-3	Average Daily Traffic Counts Evergreen Village Center & Vicinity.....	I-7
II-1	Retail Sales Potential for Additional Anchor Store Merchandisers Evergreen Village Center—San Jose, California June 2005.....	II-3
II-2	Retail Sales Potential for Additional Anchor Store Merchandisers Evergreen Marketplace—San Jose, California June 2005.....	II-4
III-1	Retail Trade Areas Map Evergreen Village San Jose, California	III-12
III-2	Demographic and Income Benchmark San Jose, California and Selected Areas.....	III-13

Table of Contents

EXHIBIT		PAGE
III-3	Planned and Proposed Residential Development Within Vicinity of Evergreen Village Center Site—June 2005	III-15
III-4	Evergreen Visioning Project Area Map Major Development Activity	III-16
III-5	Grocery Anchors—June 2005 Evergreen Village Center San Jose, California	III-17
III-6	Retail Anchors Surveyed—June 2005 Evergreen Village Center San Jose, California	III-18
III-7	Neighboring Centers San Jose, California	III-20
III-8	Retail Sales Potential for Additional Anchor Store Merchandisers Evergreen Village Center—San Jose, California June 2005.....	III-29
III-9	Grocery Store Anchors—June 2005 Evergreen Marketplace San Jose, California	III-30
III-10	Retail Anchors Surveyed—June 2005 Evergreen Marketplace San Jose, California	III-31
III-11	Retail Sales Potential for Additional Anchor Store Merchandisers Evergreen Marketplace—San Jose, California June 2005.....	III-33
III-12	In-Line Demand Analysis for Neighborhood-Oriented Center 2.0-Mile Trade Area San Jose (Evergreen), California	III-34

Table of Contents

APPENDIX	PAGE
I Guiding Principles for Land Use and Transportation Planning.....	A-1
II Evergreen Community College Correspondence	A-5
III Evergreen Campus Industrial Sites Proposed Development Options.....	A-6
IV Evergreen Arcadia Sites Proposed Development Options.....	A-7
V Evergreen Pleasant Hills Golf Course Sites Proposed Development Options.....	A-8
VI Evergreen Community College Sites Proposed Development Options.....	A-9

Chapter I

Introduction

Purpose

This report summarizes the investigation of retail market potential for Evergreen Village Center. This report will specifically address the following: (a) current and future support potential for additional retail-anchor space at Evergreen Village Center; (b) current and future support potential for additional retail-anchor space (with special attention to grocery anchor) at nearby Evergreen Marketplace; and (c) in-line retail operations underrepresented in the site area, representing potential candidates for current vacant space or subsequent development phases at Evergreen Village Center.

Evergreen Village Center

Location

Evergreen Village Center is a neighborhood-oriented commercial center designed to serve residents within the community of Evergreen. The location of the subject center within the community is shown on the map in Exhibit I-1. Incorporating "New Urbanism" design and planning concepts, the center is located at the core of the residential community, thereby maximizing the center's access to project residents while concurrently facilitating increased pedestrian-based shopping trips. From a retailing perspective, the site represents a third-tier location based on its restricted exposure to consumers outside the community. Exhibit I-2 illustrates the minimal average daily traffic (ADT) counts experienced at the center, including less than 2,700 ADT counts on roads directly connecting to the center. Just north of the site on Aborn Road (at Ruby Avenue), 5,700 ADT counts were recorded. In contrast, tier-one retail locations generally involve high-visibility intersections along heavily traveled thoroughfares such as San Felipe Road at Aborn Road (27,700 ADTs). Tier-two locations are defined by moderately traveled thoroughfares with daily traffic counts more closely approaching 20,000 ADTs. Exhibit I-3 describes ADT counts for Evergreen and the surrounding area.

While it is safe to assume that most developers would refrain from projects at tier-three locations, the center's location may have been a result of City policy enticing retail development at lower tier sites while restricting retail development in more competitive areas. Such collaboration is evidenced by correspondence (Appendix II) received by the City of San Jose in 1996 from Evergreen Community College District restricting retail anchor store size development to a maximum 20,000 square feet at surplus land controlled by the community college.

Tenants & Center Design

The center is currently anchored by Lunardi's Market, a gourmet grocery with seven locations throughout the Bay Area. Remaining portions of the center include non-anchor retail stores, restaurants, and office-related activities. Additional inline-retail, office uses, and a second anchor (Walgreen's drug store) are currently under construction and slated for completion in late 2005. Retail uses dominate current ground floor operations at Evergreen Village Center, while office uses comprise the majority of upper level space. Current and pending tenants at the center include:

Alliance Title	Lunardi's
Bank of America	Marble Slab Creamery (Ice Cream)
Century 21	Peet's Coffee & Tea (Inside Lunardi's)
Chicago Title	Quiznos
Cleaners	Silver Creek (Fitness)
Dance Studio	Realty World Country Club
Evergreen Beauty Supply	The UPS Store
Financial Title	Tuscany Real Estate
Great Clips	Washington Mutual
iCare Dentist	Walgreen's (JC)
Java Junction (Coming Soon)	

Evergreen Village Center represents a collection of aesthetically pleasing buildings (two) surrounding a small central park highlighted by mature palm trees, numerous seating areas (including 32 benches), four columned gazebos, and a fountain. The European-style architecture incorporated in the building design includes high-quality exterior wood paneling and stucco surfaces in appealing earth-tone colors, accented by hanging flower boxes, wall lighting, decorative canopies, concrete and tile mosaics, and metal/wood trim. Ornate lamp poles and shade trees line the stone paver pedestrian walkways that meander throughout Evergreen Village Center. In addition to parking provided at the rear of the buildings, patrons also find convenient

on-street parking. Circulation patterns within the center allow for easy access to all portions of the center, including store parking and street parking areas.

Evergreen Visioning Project Area (EVPA)

EVPA is bounded Story Road to the north, Highway 101 to the west, Yerba Buena Road to the south, and the foothills to the east (see boundaries in Exhibit III-4). EVPA is described by the City of San Jose as a comprehensive land use and transportation planning effort that is expected to guide infill development in the Evergreen area consistent with "Smart Growth" principles. Guiding principles (Appendix I) for land use and transportation planning in Evergreen include:

- New development should follow the "sustainability" principles of equity, environment, and economic development.
- All new development should be high quality and aesthetically pleasing.
- Infrastructure and services should support the planned levels of residential and commercial/retail/office development.
- Increase the overall livability of Evergreen by fostering vibrant commercial/business, mixed use, and residential areas linked by various transportation modes and community amenities.
- Create housing opportunities for a wide range of household types and income levels.
- Apply the concepts of Transit-Oriented Development near future transit stations.

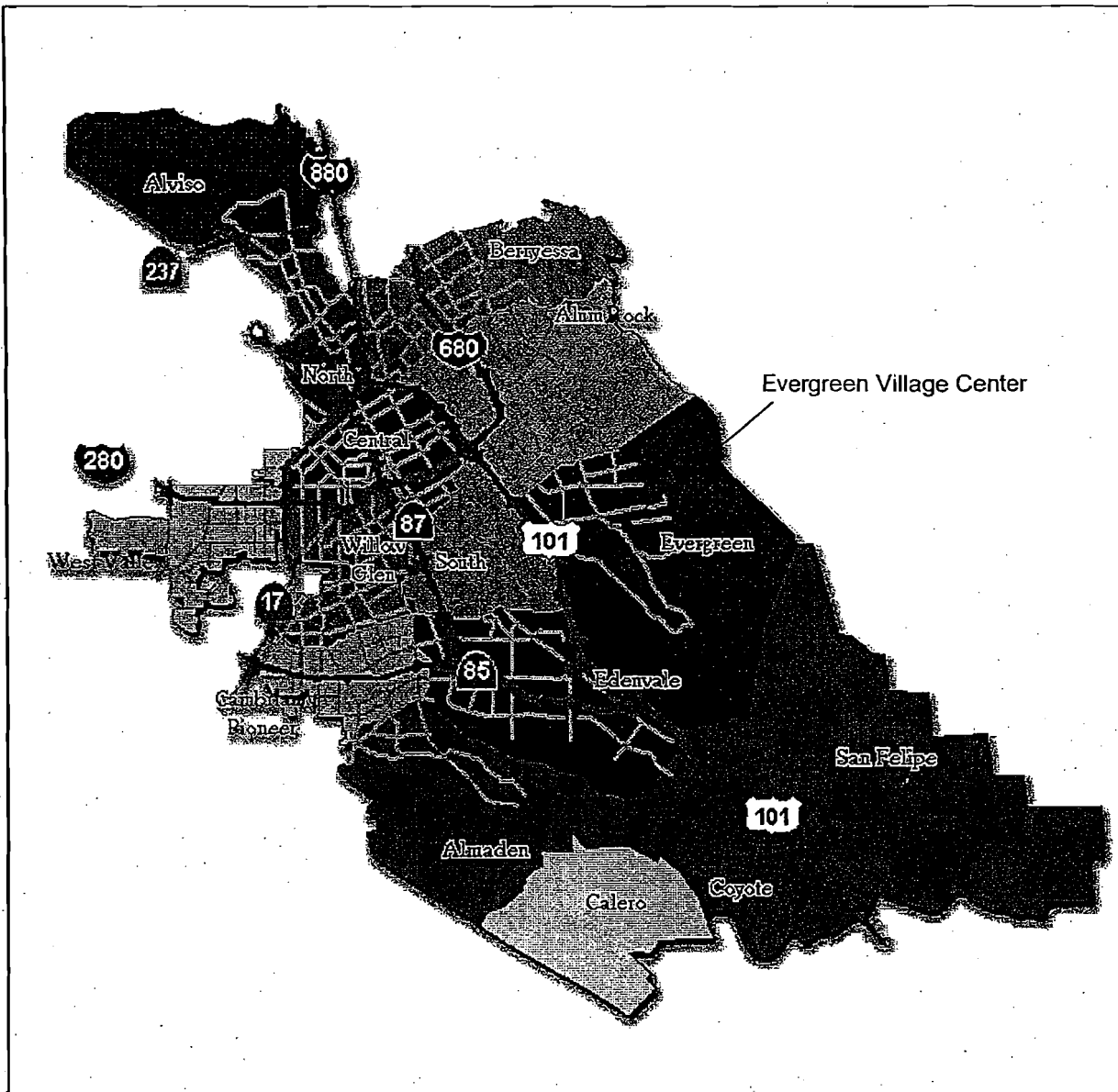
A cursory review of Evergreen Village Center and the surrounding community suggests close correlation between design implementations found at the center and the principles outlined above and described in greater detail in Appendix I.

Methodology

Research methodologies employed in the preparation of this report include the following:

1. The Consultants conducted a complete audit of all existing major retail anchor tenants located up to five miles from the subject site. The existing supply of retail anchors was compared to theoretical demand potential based on current population levels to assess immediate demand opportunity. In addition, population increases required to support future retail anchor uses were also identified.
2. Concurrent with the field audit of competing anchor space, non-anchor storefronts within a 2.0-mile trade area and surrounding periphery were identified and classified according to 116 distinct business operations. Audited businesses reflect product and service merchandising activity closely associated with most contemporary forms of retail development.
3. Statistical demographic and retail sales data from secondary sources was evaluated in order to determine the base of latent expenditure potential for distinct anchor merchandising activities. Estimated expenditure potential for distinct classes of retail activity was compared against the data describing the competitive supply and geographic distribution of the supply of existing retail floor space to determine a residual volume of sales support likely to materialize at the site. A similar approach was applied to determine above-average support potential for non-anchor storefront activities, with particular emphasis given to trade area representation.
4. In addition to reviewing planning department logs, the Consultants interviewed planners from the City of San Jose regarding planned and proposed anchor-scale retail development in the greater site area.

EXHIBIT I-1
CITY OF SAN JOSE, CALIFORNIA



Source: City of San Jose Planning Department; Alfred Gobar Associates.

EXHIBIT I-2
AVERAGE DAILY TRAFFIC COUNTS
EVERGREEN VILLAGE CENTER



Source: AnySite; Alfred Gobar Associates.

File:3222-San Jose-ADT Map 08-05

EXHIBIT I-3
AVERAGE DAILY TRAFFIC COUNTS
EVERGREEN VILLAGE CENTER & VICINITY



Source: AnySite; Alfred Gobar Associates.
File:3222-Sen Jose-AOT Map 06-05

Chapter II

Summary and Conclusions

1. Evergreen Village Center's "New Urbanism" design and planning concepts advocate placement of commercial services to maximize access (most notably, pedestrian access) to project residents. Evergreen Village Center's location at the core of the community restricts its exposure to residents outside the community. A 2.0- to 3.0-mile radius defines the most probable geographic limit whereby the bulk of sales support for current and potential future development is likely to originate.
2. The competitive supply of grocery stores is relatively high given the area's population support base. The 3.0-mile trade area is supplied with over 435,000 square feet of grocery store space dominated by three Albertsons. Exhibit II-1 summarizes the analysis of retail anchor potential (including grocery) for Evergreen Village Center in light of existing supply and location of competing retail operations. Feasible market potential exists when enough sales support can be captured at the site to achieve a threshold level of sales volume necessary to support competitive operations. Demand support potential is currently inadequate to warrant development of an additional grocery store anchor at Evergreen Village Center. However, theoretical demand potential exists to support approximately 160,000 square feet of retail anchor operations including family clothing, limited price variety, bedding & houseware, home furnishings, sporting goods, bookstore, office supply, and miscellaneous/specialty retail stores.
3. Retail anchor potential for nearby Evergreen Marketplace is summarized in Exhibit II-2. Not surprisingly, theoretical anchor potential paralleled the patterns observed for Evergreen Village Center, discussed above. However, due to the geographies south and east of Evergreen Marketplace, the 2.0-mile population surrounding Evergreen Marketplace is approximately 25.0 percent less than the 2.0-mile population support base surrounding Evergreen Village Center. The smaller neighborhood population base further diminishes

theoretical support for a grocery store anchor at Evergreen Marketplace. The larger trade area (5.0-mile) surrounding Evergreen Marketplace is benefited by similar population densities as compared to Evergreen Village Center, suggesting theoretical demand potential for eight of twelve anchor operations evaluated.

4. Market support for non-anchor establishments at Evergreen Village Center was also evaluated for up to 116 distinct store type classifications. Theoretical support potential currently exists for 32 storefront operations based on a convenience/neighborhood (2.0-mile) trade area surrounding the subject center. Non-anchor retail uses deemed appropriate for Evergreen Village Center include the following:

Tier-One Opportunities

Full-Service Restaurant

Limited-Service Restaurant

Storefront Offices (insurance, real estate, income tax, travel agencies, etc.)

Beauty Salon

Gift, Novelty, Souvenir Store

Miscellaneous Home Furnishings

Child Day Care Services

Miscellaneous Retail

Tier-Two Opportunities

Jewelry Store

Sporting Goods Store

Woman's Clothing Store

Men's Clothing Store

Shoe Store

Computer Software Store

EXHIBIT II-1

**RETAIL SALES POTENTIAL FOR ADDITIONAL ANCHOR STORE MERCHANTISERS
EVERGREEN VILLAGE CENTER* --- SAN JOSE, CA
JUNE 2005**

Anchor Store Type	Floor Space Parameters (Sq Ft)		Near-Term Market		Within 5 Years		Threshold Market
	Typical Size Range Of Merchandisers	Targeted Store Size	Effective Sales/Sq Ft	Anchor Feasibility	Effective Sales/Sq Ft	Anchor Feasibility	Min Threshold Population
Food Store	20,000 - 65,000	40,000	\$228	Not Feasible	\$280	Not Feasible	110,000 2-Mile
General Merchandise	90,000 - 250,000	90,000	\$141	Not Feasible	\$147	Not Feasible	530,000 5-Mile
Family Clothing	10,000 - 30,000	15,000	\$334	Very Strong	\$349	Very Strong	Existing Pop.
Limited Price Variety Store	10,000 - 22,000	20,000	\$415	Very Strong	\$419	Very Strong	Existing Pop.
Bedding & Housewares	15,000 - 30,000	20,000	\$586	Very Strong	\$612	Very Strong	Existing Pop.
Home Electronics & Appliances	15,000 - 50,000	30,000	\$235	Not Feasible	\$232	Not Feasible	530,000 5-Mile
Home Furnishings Stores	10,000 - 40,000	20,000	\$207	Very Strong	\$216	Very Strong	Existing Pop.
Home Improvement Store	90,000 - 140,000	110,000	\$275	Competitive	\$288	Good	340,000 5-Mile
Sporting Goods Store	10,000 - 40,000	20,000	\$283	Very Strong	\$296	Very Strong	Existing Pop.
Bookstores	12,000 - 35,000	25,000	\$715	Very Strong	\$747	Very Strong	Existing Pop.
Office Supply Store	15,000 - 40,000	20,000	\$986	Very Strong	\$1,031	Very Strong	Existing Pop.
Misc/Specialty Retail Stores	10,000 - 40,000	20,000	\$1,741	Very Strong	\$910	Very Strong	Existing Pop.
Feasible Anchor Supply:			160,000 Sq. Ft.		160,000 Sq. Ft.		
Current/Projected Population:			2-Miles 55,600		2-Miles 72,100**		
			3-Miles 105,600		3-Miles 122,100		
			5-Miles 316,067		5-Miles 330,400		

* Located at 4055 Evergreen Village Square, San Jose, California.

** Includes optimistic population increase expected from residential development noted on Exhibit III-3.

Source: Alfred Gobar Associates

EXHIBIT II-2

**RETAIL SALES POTENTIAL FOR ADDITIONAL ANCHOR STORE MERCHANDISERS
EVERGREEN MARKETPLACE* -- SAN JOSE, CA
JUNE 2005**

Anchor Store Type	Floor Space Parameters (Sq Ft)		Near-Term Market		Within 5 Years		Threshold Market
	Typical Size Range Of Merchandisers	Targeted Store Size	Effective Sales/Sq Ft.	Anchor Feasibility	Effective Sales/Sq Ft.	Anchor Feasibility	Min Threshold Population
Grocery Stores: Option 1	20,000 - 65,000	20,000	\$202	Not Feasible	\$288	Not Feasible	90,000 2-Mile
Option 2	20,000 - 65,000	30,000	\$193	Not Feasible	\$275	Not Feasible	95,000 2-Mile
Option 3	20,000 - 65,000	40,000	\$185	Not Feasible	\$263	Not Feasible	100,000 2-Mile
Option 4	20,000 - 65,000	60,000	\$170	Not Feasible	\$242	Not Feasible	105,000 2-Mile
General Merchandise	90,000 - 250,000	90,000	\$140	Not Feasible	\$147	Not Feasible	520,000 5-Mile
Family Clothing	10,000 - 30,000	15,000	\$338	Very Strong	\$353	Very Strong	Existing Pop.
Limited Price Variety Store	10,000 - 22,000	20,000	\$416	Very Strong	\$420	Very Strong	Existing Pop.
Bedding & Housewares	15,000 - 30,000	20,000	\$586	Very Strong	\$613	Very Strong	Existing Pop.
Home Electronics & Appliances	15,000 - 50,000	30,000	\$239	Not Feasible	\$235	Not Feasible	510,000 5-Mile
Home Furnishings Stores	10,000 - 40,000	20,000	\$191	Very Strong	\$199	Very Strong	Existing Pop.
Home Improvement Store	90,000 - 140,000	110,000	\$271	Competitive	\$275	Competitive	350,000 5-Mile
Sporting Goods Store	10,000 - 40,000	20,000	\$272	Very Strong	\$284	Very Strong	Existing Pop.
Bookstores	12,000 - 35,000	25,000	\$685	Very Strong	\$715	Very Strong	Existing Pop.
Office Supply Store	15,000 - 40,000	20,000	\$978	Very Strong	\$1,022	Very Strong	Existing Pop.
Misc/Specialty Retail Stores	10,000 - 40,000	20,000	\$1,775	Very Strong	\$912	Very Strong	Existing Pop.
Feasible Anchor Supply:			160,000 Sq. Ft.		160,000 Sq. Ft.		
Current/Projected Population:			2-Miles 41,500		2-Miles 59,100**		
			3-Miles 96,500		3-Miles 112,800		
			5-Miles 311,200		5-Miles 325,200		

* Located at 4850 San Felipe Road, San Jose, Ca.

** Includes optimistic population increase expected from residential development noted on Exhibit III-3.

Source: Alfred Gobar Associates

Chapter III

Retail Analysis

Relevant Trade Area Setting

The basic demand factor for retail development is consumer expenditure potential defined in terms of probable expenditure patterns describing the base of consumer support within a relevant trade area. Within most metropolitan area markets, the geographic boundary used to define the relevant trade area environment of consumer support is described below for distinct forms of retail development:

Classification of Retail Development	Typical Trade Area
Convenience	0.5 to 1.0 Mile
Neighborhood	1.5 to 2.0 Miles
Community/Sub-Regional	3.0 to 5.0 Miles
Regional	5.0 to 7.0 Miles
Super-Regional	5.0 to 10.0 Miles

Exhibit III-1 depicts the relevant trade area boundaries used to evaluate probable market support at the site location including a 2.0-mile radius applied to in-line retail establishments and a 3.0- to 5.0-mile radius used to describe the competitive environment for anchor-scale operations. The relevant trade area setting is, however, not strictly dictated by the above parameters. Trade area boundaries are frequently modified by factors such as access constraints (perceived or actual), geographic constraints, and existing competitive retail concentrations. For example, Highway 101 constitutes a physical (and psychological) barrier that will effectively reduce the site's attraction to residents west of this corridor, while the foothills east of the site represent a natural limit to trade area boundaries. Competing retail concentrations also serve to limit the relative attraction of a site for businesses offering a similar range of goods and services. With limited exception, consumers favor convenience absent significant product, pricing, or branding advantages to distinguish one retailer over another. The intersection of Aborn Road and White Road (northwest of Evergreen Village Center) represents a high concentration of competing retail centers.

Trade Area Demographics

The demographic characteristics of the existing population base within alternative geographic boundaries are summarized in Exhibit III-2. Countywide data is also provided as a reference. The estimated 2004 resident population, excluding persons living in group quarters, ranges from approximately 55,600 within 2.0 miles, 105,600 persons within 3.0 miles, to 316,000 persons within 5.0 miles. The 5.0-mile trade area constitutes over 18.8 percent of the nearly 1.7 million total resident population of Santa Clara County. Additional demographic characteristics expected to influence consumer behavior surrounding the site are summarized in the following paragraphs.

The immediate trade area (2.0-mile) has experienced above-average population growth compared to Santa Clara County. Between 1990 and 2004, the resident population of the 2.0-mile trade area grew twice as fast as the Countywide population—25.3 percent versus 12.0 percent respectively. Population growth over the same time period within the 3.0-mile and 5.0-mile trade areas increased by 23.3 percent and 20.5 percent, respectively. Population projections described in Exhibit III-2—reflective of mathematical extrapolation without significant consideration of planned development activity—suggest a slight decrease in the trade area population base over the next five years. In actuality, resident population in the 2.0-mile trade area is projected to increase between 19.0 percent (very low) and 30.0 percent (high), as summarized in Exhibit III-3. Data provided by the San Jose Planning Department in Exhibit III-4 summarizes four proposed residential development projects, including Campus Industrial, Pleasant Hills Golf Course, Arcadia, and Evergreen Community College. These four projects are collectively expected to add between 3,265 and 5,150 residential dwelling units and roughly 10,500 to 16,500 residents to the 2.0- to 3.0-mile trade area. Appendix III, Appendix IV, Appendix V, and Appendix VI illustrate proposed development options for the four projects providing a variety of uses including single-family dwellings, townhomes, commercial, and open space.

The average household size is approximately 29.0 to 36.0 percent larger within each of the three trade areas than the Countywide average of 2.8 persons per household. Similarly, the corresponding average family size (excluding non-family households) is

15.0 to 22.0 percent larger than the Countywide average of 3.4 persons per family. Large family households tend to generate disproportionately greater demand for daily consumables and essential soft goods due to their higher number of dependant children.

The trade areas surrounding the subject site include a higher-than-average proportion of larger households. Family and non-family households with five or more individuals account for 28.6 percent all households within the 2.0-mile trade area, increasing to 29.9 percent and 33.0 percent for the 3.0-mile and 5.0-mile trade areas, respectively. In contrast, larger households in Santa Clara County are, on average, only half as common—only 15.5 percent of households include five or more individuals.

The racial-ethnic composition of the trade areas is more heterogeneous, including a heavy mix of persons of Asian or Pacific Islander descent. Ethnic and racially diverse trade area environments tend to broaden opportunities for niche market establishments, particularly within the grocery and eating and drinking sectors of retail trade.

Average and median household income levels are high in the 2.0-mile and 3.0-mile trade areas and lower than the Countywide average in the 5.0-mile trade area. Average household income in the two smaller trade areas is between 10.0 and 20.0 percent higher than the Santa Clara County average household income of \$103,980. In contrast, the corresponding average household income for the 5.0-mile trade area lags the Countywide average by nearly 13.0 percent. Similarly, median household income exceeds the Countywide average of \$80,500 by 28.0 percent (2.0-mile) and 17.0 percent (3.0-mile), but lags by 5.0 percent in the 5.0-mile trade area.

College level educational achievement is more prevalent among residents in the 2.0-mile trade area (and Countywide) than in the 3.0- and 5.0-mile trade areas. The proportion of residents age 25 and older holding a bachelor's or graduate degree in the 2.0-mile trade area (37.2 percent) and Countywide (40.9 percent) far surpasses the corresponding educational levels for residents age 25 and older in the 3.0-mile and 5.0-mile trade areas—32.3 percent and 22.7 percent respectively. Higher educational achievement is likely a factor contributing to a higher proportion of workers holding white-collar jobs in the 2.0-mile trade area (68.9 percent) compared

to the 3.0-mile (64.1 percent) and 5.0-mile (55.4 percent) trade areas. Countywide, approximately 71.2 percent of workers are employed in white-collar jobs.

Approximately 79.0 to 81.9 percent of all households within 2.0 and 3.0 miles of the site have two or more vehicles. This share is high in comparison to the 5.0-mile trade area (72.5 percent) and households Countywide (65.4 percent). Within suburban environments, a relatively higher proportion of households with multiple vehicles per household often signify a higher incidence of workforce participation, placing a greater importance on retail sites strategically positioned along evening commute routes.

Competitive Findings

Anchors

A field audit was conducted to ascertain the supply of retail anchor stores within a 5.0-mile trade area (3.0-mile trade area for grocery) that are expected to compete with Evergreen Village Center for retail support potential. Exhibits III-5 and Exhibit III-6 describe the competitive supply of anchor retail space according to distinct store type classifications. Included in each exhibit is the amount of floor space occupied at each competitive retail operation and lateral distance from subject site. Overall, about 2.7 million square feet of anchor space was audited, as summarized on Page 2 of Exhibit III-6. The major store type classifications and sub-classifications describing anchors store operations surveyed as part of the field audit are summarized below:

- Grocery Stores
- General Merchandisers
 - Traditional Department Stores
 - Discount Department Stores
 - Family Clothing
- Limited Price Variety
- Bedding and Housewares
- Home Electronics and Appliances
- Home Furnishings
- Home Improvement
- Specialty Retailers
 - Sporting Goods Stores
 - Bookstores
 - Office Supply Stores
 - Miscellaneous (Pet Stores, Toy Stores, Fabric/Craft Stores, Music/Video, Party Supplies, etc.)

As shown in Exhibit III-5, there are eleven food store anchors totaling approximately 434,500 square feet within 3.0 miles of the subject site. Food store anchors compete most directly for sales support within a neighborhood-scale trade area setting defined by a 2.0-mile radius around the subject site. The field audit includes anchor stores located up to 3.0 miles from the site to account for stores outside the trade area that, nonetheless, compete for a portion of sales support originating within 2.0 miles of the subject site.

Exhibit III-6 summarizes the field audit for non-grocery anchor stores expected to compete with the subject site for retail sales support within a community-scale (5.0-mile) trade area setting. A total of 2.27 million square feet of occupied non-grocery anchor space was surveyed during the field audit. Nearly 64.0 percent (1.45 million square feet) reflects general merchandising operations. General merchandising includes traditional department stores (Macy's, JC Penney, etc.) and non-traditional department stores (Wal-Mart, Target, etc.), the latter representing a retailing strategy that places a priority emphasis on volume-discount pricing. The advent of such volume pricing strategies has successfully eroded the historical drawing strength of traditional department stores that most often focus on selection and service and are most often located in enclosed regional malls.

The nine identified general merchandise stores located within 5.0 miles included three anchors stores (JC Penney, Macy's, and Sears) which are part of Eastridge Mall, approximately 2.4 miles from Evergreen Village Center. The remaining six general merchandisers collectively account for just over 773,900 square feet, including Target, Costco, Wal-Mart, Mervyn's and Kohl's stores.

The Consultants identified only one clothing store—30,000-square-foot Ross located 1.1 mile from Evergreen Village Center. Variety stores and bedding & houseware stores also had limited representation within the 5.0-mile trade area—a 9,000-square-foot Big Lots store 4.4 miles from the subject site and a 10,400-square-foot Anna's Linens store located a distant 6.2 miles from the subject site.

The home electronics/appliance retail sector is currently represented in the site area by four stores representing a combined 87,800 square feet of occupied store space. With the exception of Western Appliance, each of the identified stores are part of

major chain operations. The nearest store—Circuit City—occupies a pad location at Eastridge Mall. The Consultants also identified three independent furniture stores within the trade area, collectively representing only 30,900 square feet.

Four existing home improvement stores totaling 351,500 square feet were identified within the 5.0-mile trade area. Additionally, a 161,700-square-foot Lowe's home improvement store has been in the planning stages since 2003. The proposed site, at the intersection of Monterey Highway and Blossom Hill Road, has been publicly challenged due to the presence of historic resources at the site. According to Planning Department Staff, Lowe's and the City of San Jose are currently attempting to resolve and appeal this matter.

The 5.0-mile trade area is also supplied with 52,800 square feet of sporting goods stores—a Big Five Sporting Goods (3.0 miles from the Evergreen Village Center) and a significantly larger—42,000 square feet—Sportmart (5.8 miles from Evergreen Village Center).

The only notable anchor-scale bookstore identified is a 23,000-square-foot Borders Bookstore located a distant 6.4 miles from the subject site. The absence of a major bookstore in the general vicinity of the subject site is unusual in light of the high educational levels of site area residents.

One major office supply retailer—a 25,000-square-foot Office Depot—was identified 2.2 miles from the subject site.

The Consultants audited three miscellaneous retail anchors located throughout the 5.0-mile trade area, collectively representing 45,260 square feet of occupied store space. The stores included a 19,800-square-foot Factory 2U store, a 10,100-square-foot Party City store, and a 15,360-square-foot Michael's store located 2.0, 3.0, and 3.0 miles from the subject site, respectively.

Shopping Center/In-Line

The retail anchor investigation was supplemented with an audit of all in-line retail establishments within 2.0 miles of Evergreen Village Center, including periphery locations. Exhibit III-7 summarizes 14 shopping centers competing within the trade area of the subject site plus an additional six centers (Centers #15 through #20)

located in the vicinity of Eastridge Mall, approximately 3.0 miles from Evergreen Village Center. Only three of the centers had no anchor representation. The balance of centers includes one or more of the anchors described earlier. The area is supplied with 318 occupied and only seven vacant in-line stores (three vacancies at Evergreen Village Center. The closest competing center, Evergreen Marketplace, is located at the intersection of San Felipe Road and Yerba Buena Road, 0.6 miles from the subject site. The latter center contains a Longs drug store along with 21 in-line establishments.

Retail Market Potential

Anchor Retail Potential for Evergreen Village Center

The Consultants employ the use of a gravity model to determine probable retail potential for anchors at a site location. An underlying premise of the modeling technique is that the competitive influence of area retailers on sales support at the subject site diminishes the further such retailers are located from the site. As an example, an Albertsons market located next to the site will have a greater competitive impact on sales at the site than an Albertsons market located three miles from the site. The competitive effect of an outlying market eventually becomes negligible due to the natural resistance to movement through space but also due to an increase in the variety and similarity of purchase options that become available as the trade area expands. In similar fashion, chain store operations tend to achieve higher effective sales per square foot of occupied space than is true of most smaller, independently run stores. An efficiency index is also applied to competing area stores to account for differing levels of sales performance. As a result, the competitive influence of a strong merchandiser may be stronger than a relatively weak operator located closer to the site.

Exhibit III-8 summarizes the analysis of anchor retail potential for a variety of retail operations over a near-term and mid-term time frame. Food store anchor potential has been evaluated with respect to a probable 2.0-mile trade area representing the principal base of support for these neighborhood-serving activities. All other retail anchor store types have been evaluated with respect to competitive supply and expenditure potential within a 3.0-mile to 5.0-mile trade area. Store types are evaluated in terms of the projected level of sales that can be supported at the site for

the indicated store size. Identified support represents residual opportunity after accounting for competitive influence and capture of sales potential by existing retail outlets in the surrounding trade area. The feasible outlook is dependent on the likelihood that enough support can be attracted to achieve a threshold level of sales needed for feasible operations and to draw the interest of a prospective major chain merchandiser. Different store types require different sales thresholds to achieve acceptable sales performance.

The distinct store types and recommended floor space for each feasible anchor store type at Evergreen Village Center, based on existing population, are summarized as follows:

Anchor Store	Floor Area (Sq. Ft.)
Family Clothing	15,000
Limited Price Variety	20,000
Bedding & Houseware	20,000
Home Furnishings	20,000
Sporting Goods Store	20,000
Bookstore	25,000
Office Supply Store	20,000
Miscellaneous/Specialty	<u>20,000</u>
Total	160,000

Over the near term, a competitive level of opportunity exists for a 110,000-square-foot home improvement store. A competitive or marginal level of market potential indicates the need to engage aggressive merchandising practices aimed directly at existing competitors in order to achieve a target level of sales performance. Such levels of sales potential also indicates a greater likelihood that an existing competitor will need to be displaced for a new anchor store to achieve targeted sales volume.

Anchor retailers adequately represented and overrepresented in the trade area include grocery stores, general merchandisers, and home electronic & appliance stores. As discussed earlier, the proposed residential developments in the site area are expected to increase the immediate trade area population base by approximately 19.0 to 30.0 percent within a mid-term time frame. Highly optimistic development assumptions suggest the addition of approximately 16,500 residents to the immediate site area as summarized in Exhibit III-3. The increase in population is expected to provide inadequate consumer support within three to five years for the anchor stores identified above, with the possible exception of a new home improvement store.

Finally, Exhibit III-8 identifies the trade area population that must exist in order to generate enough sales support for an additional anchor store operation (by type) at the subject site. As indicated, the trade area(s) will not experience sufficient population growth within five years to support three of the 12 anchor store classifications evaluated. Near- to long-term support potential for grocery stores at Evergreen Village Center seems unlikely given the population base needed—100,000 to 110,000 total residents within the 2.0-mile trade area. Requirements for additional grocery store operations reflect population densities (6,000 to 8,000 persons per square mile) most often associated with fully developed metropolitan areas and deemed unapproachable considering the foothill regions to the east of the site. Uses including home electric & appliance and general merchandising may ultimately provide potential; however, size and location requirements will most likely negate Evergreen Village Center from consideration.

Anchor Retail Potential for Evergreen Marketplace

In addition to evaluating anchor potential at the subject site, the competitive supply of anchor space was tabulated in relation to Evergreen Marketplace¹, as summarized in Exhibit III-9 and Exhibit III-10. While the competitive supply remained unchanged, the viability of anchor retail operations was assessed as a function of lateral distance from Evergreen Marketplace. The results of this exercise are summarized in Exhibit III-11. Included in Exhibit III-11 is the current resident population of the three defined trade areas surrounding Evergreen Marketplace. The close proximity of Evergreen Marketplace to the subject site yields similar anchor potential patterns as witnessed for Evergreen Village Center. However, the nature of geographies east and south of Evergreen Marketplace contributes to a lower resident population base (41,500) in the immediate (2.0-mile) site area, well below the population threshold required for an additional grocery store anchor. Exhibit III-11 also assesses the potential of grocery uses across an array of store sizes. The existing supply of grocery stores restricts the potential for any addition to the current base of grocery stores serving the area.

Despite a lower population observed for the 2.0-mile trade area, the larger trade areas surrounding Evergreen Marketplace are benefited by a similar population support base as compared to Evergreen Village Center, allowing access to a similar

¹ Located at 4850 San Felipe Road, 0.6 miles from Evergreen Village Center.

consumer base for anchored types indicated as "feasible"—family clothing, limited price variety, bedding and housewares, home furnishings, sporting goods, bookstores, office supply, miscellaneous/specialty retail, and to a lesser extent, home improvement.

Non-Anchor Retail Potential for Evergreen Village Center

The likelihood of market support for up to 116 distinct (non-anchor) store type classifications was also evaluated for current/future space availability at Evergreen Village Center. The analysis included the commitments made by tenants (see Exhibit III-7) to establish near-term operations at the Evergreen Village Center. The analysis of non-anchor potential focuses on probable support from the resident population within 2.0 miles, since the bulk of non-anchor space at the site will compete on the basis of convenience and proximity to existing anchors.

Exhibit III-12 identifies non-anchor storefronts that have a strong likelihood of receiving above-average market support within the competitive trade area over a one-to two-year time frame. As shown, 32 of the 116 distinct storefront operations have been quantitatively identified as feasible uses for Evergreen Village Center. Thirteen of the store type activities identified actually describe business service activities that receive consumer support in retail locations. Another ten of the store types describe personal service activities not strictly dependent on a retail storefront location. Business service and personal service-based tenants tend to account for a limited share of leased space within competitive retail centers. There is a relatively low supply of small mixed-use lease space in the immediate trade area that can be expected to capture identified potential for these service-oriented activities. Excluding the three uncommitted vacant spaces at the site location, only two other vacancies were identified within the 2.0-mile trade area—spaces marketed at rents ranging from \$2.75 to \$3.00 per square foot triple net.

Of the 32 supportable inline uses identified, the Consultants have identified the following uses as a logical fit for current/future inline space at Evergreen Village Center:

Tier-One Opportunities

Full-Service Restaurant

Limited-Service Restaurant

Storefront Offices (insurance, real estate, income tax, travel agencies, etc.)

Beauty Salon

Gift, Novelty, Souvenir Store

Miscellaneous Home Furnishings

Child Day Care Services

Miscellaneous Retail

Tier-Two Opportunities

Jewelry Store

Sporting Goods Store

Woman's Clothing Store

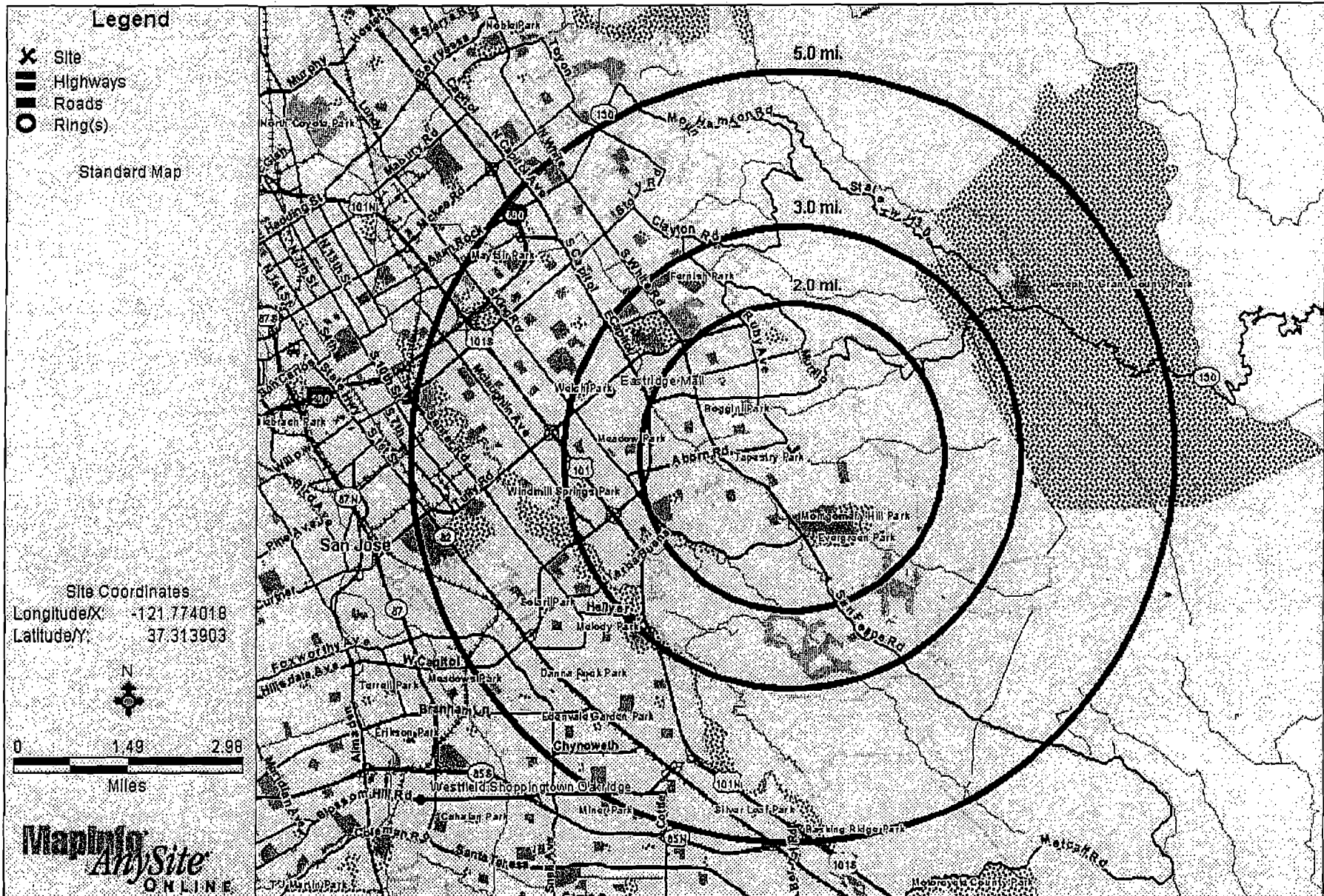
Men's Clothing Store

Shoe Store

Computer Software Store

The above uses have been arrayed under two classifications: Tier-One Opportunities—those uses deemed most appropriate for the subject site location; Tier-Two Opportunities—those uses which are traditionally part of larger retail centers and, therefore, represent a potential challenge for the subject site location.

EXHIBIT III-1
RETAIL TRADE AREAS
EVERGREEN VILLAGE
SAN JOSE, CALIFORNIA



Source: Alfred Gobar Associates; AnySite.com-Integration Technologies.

EXHIBIT III-2

DEMOGRAPHIC AND INCOME SUMMARY SAN JOSE, CA AND SELECTED AREAS

Demographic Variables	2.0 Mile Ring	3.0 Mile Ring	5.0 Mile Ring	Santa Clara County
2009 Population	55,382	104,915	313,399	1,662,290
2004 Population	55,637	105,628	316,067	1,675,734
2000 Population	55,757	106,072	317,842	1,682,585
1990 Population	44,400	85,637	262,202	1,496,702
1980 Population	25,616	53,976	186,562	1,293,137
% Change in Population 1980-1990	73.3%	58.7%	40.5%	15.7%
% Change in Population 1990-2000	25.6%	23.9%	21.2%	12.4%
% Change in Population 2000-2004	-0.2%	-0.4%	-0.6%	-0.4%
2009 Households	16,286	30,744	86,798	610,326
2004 Households	15,572	29,237	82,993	586,292
2000 Households	14,978	27,980	79,833	565,863
1990 Households	12,271	23,446	70,797	519,979
1980 Households	7,748	16,153	55,528	458,196
% Change in Households 1980-1990	58.4%	45.1%	27.5%	13.5%
% Change in Households 1990-2000	22.1%	19.3%	12.8%	8.8%
% Change in Households 2000-2004	4.0%	4.5%	4.0%	3.6%
2004 Population by Household Type				
Group Quarters	25	338	1,050	29,935
Family	52,183	97,635	282,699	1,382,816
Non-Family	3,429	7,655	32,317	262,983
2004 Persons in Household				
1 Person Household	1,438	2,980	9,899	124,296
2 Person Household	3,406	6,847	17,672	178,596
3 Person Household	2,811	4,738	13,102	99,682
4 Person Household	3,471	5,938	14,942	92,597
5 Person Household	2,049	3,713	10,338	44,985
6+ Person Household	2,397	5,021	17,039	46,136
2004 Average Household Size	3.60	3.60	3.80	2.80
2004 Family Households	13,549	25,105	68,828	411,381
2004 Non-Family Households	2,023	4,131	14,164	174,911
2004 Average Family Size	3.85	3.89	4.11	3.36
2004 Ethnicity				
White	18,083	34,290	105,850	896,906
Black	2,446	4,547	12,496	46,668
Asian/Pacific Islander	26,966	47,776	105,504	441,433
Other	5,586	14,332	76,466	212,879
Two or More Races	2,557	4,683	15,752	77,848
Hispanic	12,424	28,469	137,101	425,247
2004 Detailed Population by Age Group				
0-19	17,456	32,399	103,492	460,734
20-24	2,978	5,873	21,801	99,083
25-34	7,167	13,669	47,075	253,099
35-54	18,801	33,700	92,489	531,649
55-64	5,010	9,926	26,323	159,319
65-74	2,508	5,869	14,898	92,812
75+	1,717	4,190	9,990	79,038
2004 Median Age	35.1	35.5	28.1	35.9

Source: Alfred Gobar Associates; AnySite Online.com

EXHIBIT III-2 (Cont'd)

**DEMOGRAPHIC AND INCOME SUMMARY
SAN JOSE, CA AND SELECTED AREAS**

Demographic Variables	2.0 Mile Ring	3.0 Mile Ring	5.0 Mile Ring	Santa Clara County
2004 Household Income Distribution				
Less than \$14,999	471	1,259	5,069	40,951
\$15,000 - \$24,999	478	1,110	4,941	32,917
\$25,000 - \$34,999	613	1,349	5,552	36,694
\$35,000 - \$49,999	962	2,274	8,951	60,143
\$50,000 - \$59,999	945	1,857	6,701	41,147
\$60,000 - \$74,999	1,371	2,890	9,549	58,889
\$75,000 - \$99,999	2,688	4,970	14,302	89,452
\$100,000 and Greater	8,045	13,527	27,926	226,099
2004 Average Household Income	\$124,676	\$113,861	\$90,182	\$103,974
2004 Median Household Income	\$102,443	\$93,673	\$76,043	\$80,005
2004 Per Capita Income	\$34,908	\$31,555	\$23,718	\$36,644
2004 Family Income Distribution				
Less than \$14,999	304	795	3,357	18,764
\$15,000 - \$24,999	315	736	3,765	18,946
\$25,000 - \$34,999	474	1,050	4,403	23,448
\$35,000 - \$49,999	756	1,813	7,012	38,428
\$50,000 - \$59,999	781	1,548	5,516	27,498
\$60,000 - \$74,999	1,121	2,426	7,858	40,161
\$75,000 - \$99,999	2,390	4,388	12,214	65,183
\$100,000 and Greater	7,410	12,350	24,703	178,953
2000 White Collar Employment	18,783	32,000	79,095	601,760
Mgmt/Business/Finance	4,540	7,502	16,444	157,135
Professional	7,725	12,661	28,121	252,768
Sales/Office	6,517	11,837	34,530	191,857
2000 Blue Collar Employment	8,491	17,935	63,636	242,968
Service	2,653	5,654	20,755	88,790
Farming/Fishing/Forestry	76	135	785	3,464
Construction/Extr/Mainten	1,792	3,681	13,704	55,758
Production/Transp./Materials	3,970	8,466	28,392	94,957
2004 Households by Number of Vehicles				
No Vehicles	440	966	4,253	33,167
One Vehicle	2,374	5,175	18,602	169,848
Two or more Vehicles	12,758	23,096	60,139	383,277
2004 Population Age 25+ by Education	35,204	67,355	190,775	1,115,917
Elementary	2,715	7,244	30,968	88,973
Some High School	3,264	7,381	27,545	94,772
High School Graduate	5,416	11,206	36,739	175,714
Some College	7,506	14,060	37,978	217,909
Associate Degree	3,213	5,689	14,187	82,066
Bachelor Degree	8,843	14,772	30,470	270,506
Graduate Degree	4,247	7,003	12,888	185,977
2004 Total Housing Units				
Owner-Occupied	13,424	24,569	58,649	352,249
Renter-Occupied	2,150	4,670	24,328	234,043
Vacant	190	337	1,001	13,359

Source: Alfred Gobar Associates; AnySite Online.com

EXHIBIT III-3

PLANNED AND PROPOSED RESIDENTIAL DEVELOPMENT WITHIN VICINITY OF EVERGREEN VILLAGE CENTER SITE - JUNE 2005

Development	Development Assumption				Resident Population Growth ¹			
	Very Low	Low	Medium	High	Very Low	Low	Medium	High
<u>Proposed</u>								
Campus Industrial	950	1,050	1,150	1,950	3,040	3,360	3,680	6,240
Pleasant Hills Golf Course	540	800	660	825	1,728	1,920	2,112	2,640
Arcadia	1,500	1,850	2,025	1,875	4,800	5,920	6,480	6,000
Evergreen Community College	<u>275</u>	<u>300</u>	<u>330</u>	<u>500</u>	<u>880</u>	<u>960</u>	<u>1,056</u>	<u>1,600</u>
Total Trade Area Planned Development:	3,265	3,800	4,165	5,150	10,448	12,160	13,328	16,480

Projected Trade Area Population

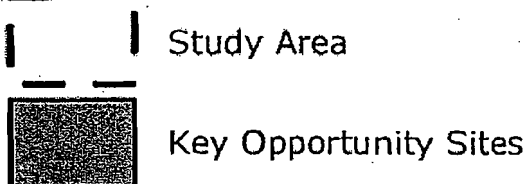
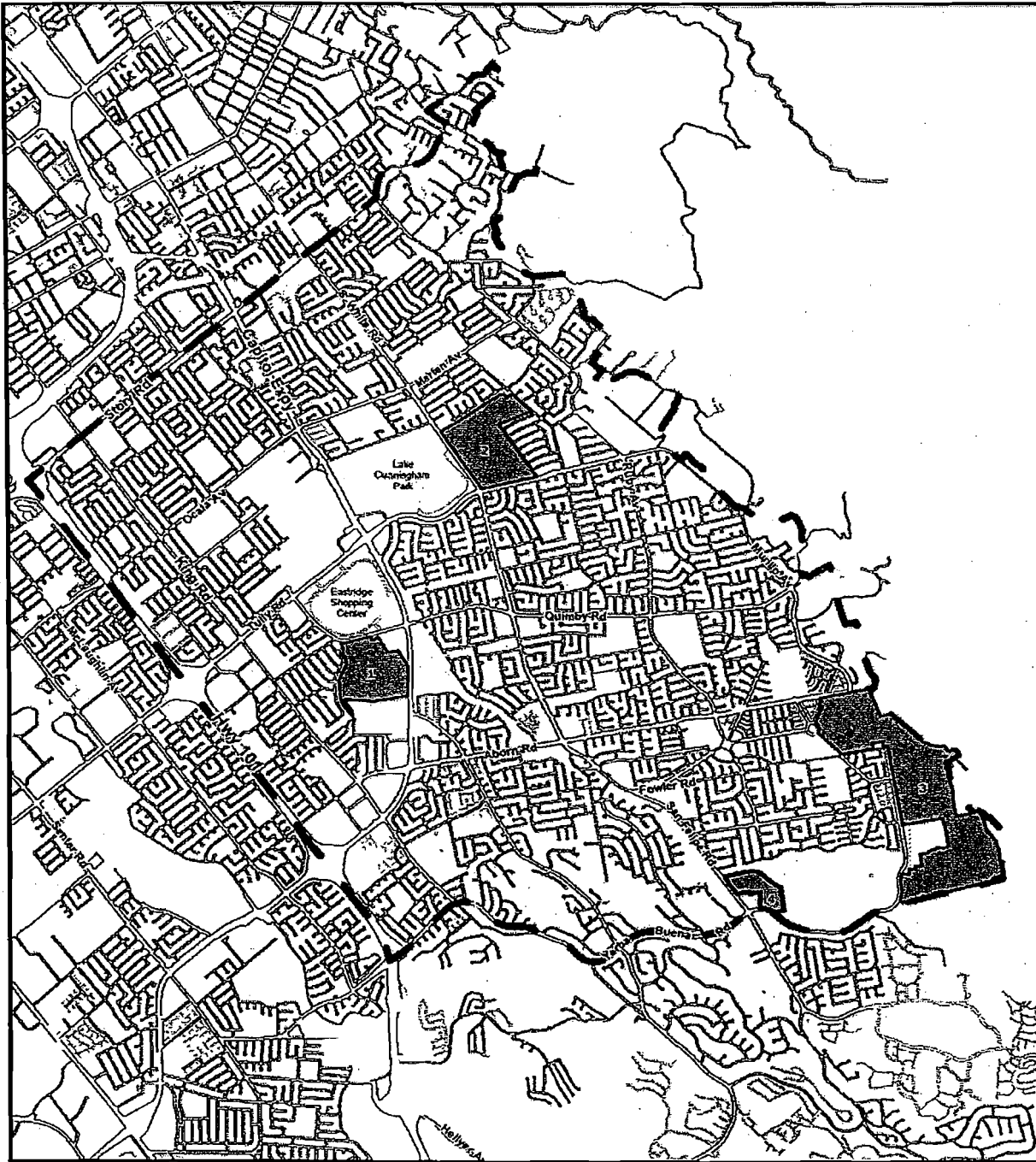
Area	Existing	Very Low	Low	Medium	High
0 to 2.0 Mi:	55,600	66,048	67,760	68,928	72,080
0 to 3.0 Mi:	105,600	116,048	117,760	118,928	122,080

Note:

¹Population estimates based on 3.2 person per household count.

Source: City of San Jose; Alfred Gobar Associates.

EXHIBIT III-4
EVERGREEN VISIONING PROJECT AREA
MAJOR DEVELOPMENT ACTIVITY



- 1 - Arcadia
- 2 - Pleasant Hills Golf Course
- 3 - Campus Industrial
- 4 - Evergreen Valley College

EXHIBIT III-5

GROCERY STORE ANCHORS
JUNE 2005
EVERGREEN VILLAGE CENTER* -- SAN JOSE, CA

Ref. No.	Store	Location	Sq. Ft.	Distance From Site
Grocery Stores				
G1	Lunardi's	4055 Evergreen Village Square	42,000	0.1
G2	Consentinos	5667 Silver Creek Canyon Road	25,000	1.3
G3	Albertsons	3270 White Road	57,100	1.3
G4	Savemart	3251 White Road	32,200	1.3
G5	Senter Food 8	2812 White Road	20,300	2.0
G6	Safeway	1771 Capitol Expressway	42,000	2.3
G7	Albertsons/Sav-On	2980 Capitol Expressway	66,000	2.3
G8	Albertsons	1031 Capitol Expressway	40,000	2.8
G9	Food Maxx	1972 Tully Road	57,100	3.0
G10	Lucky 7	1675 Tully Road	28,200	3.2
G11	Lion Market	1710 Tully Road	24,600	3.2
Total:			434,500	

* Located at 4055 Evergreen Village Square, San Jose, Ca.

Source: Field Survey by Alfred Gobar Associates.

EXHIBIT III-6
RETAIL ANCHORS SURVEYED
JUNE 2005
EVERGREEN VILLAGE CENTER* --- SAN JOSE, CA

Ref. No.	Store	Location	Sq. Ft.	Distance From Site
<u>Family Clothing Stores</u>				
FC1	Ross	2950 Aborn Square Road	<u>30,000</u>	1.1
	Total:		30,000	
<u>General Merchandise Stores</u>				
GM1	Target	3155 Silver Creek	110,200	2.3
GM2	JC Penney	2200 Tully Road	246,000	2.4
GM3	Macy's	2200 Tully Road	175,000	2.4
GM4	Sears	2200 Tully Road	251,000	2.4
GM5	Costco	2201 Senter Road	159,000	3.8
GM6	Wal-Mart	5502 Monterey Road	150,000	4.0
GM7	Mervyn's	2855 Story Road	85,000	4.4
GM8	Wal-Mart	777 Story Road	173,000	5.2
GM9	Kohls	2323 McKee Road	<u>96,700</u>	6.0
	Total:		1,445,900	
<u>Variety Stores</u>				
V1	Big Lots	1048 White Road	<u>9,000</u>	4.4
	Total:		9,000	
<u>Bedding & Houseware Stores</u>				
BH1	Anna's Linens	435 N Capitol Road	<u>10,400</u>	6.2
	Total:		10,400	
<u>Home Electronics/Appliance Stores</u>				
E1	Circuit City	2217 Quimby Road	33,200	2.4
E2	Good Guys	1960 Tully Road	16,000	3.0
E3	Western Appliance	2155 Tully Road	18,600	3.0
E4	Good Guys	886 Blossom Hill Road	<u>20,000</u>	5.7
	Total:		87,800	
<u>Furniture Stores</u>				
F1	Elegant Furniture	2245 Tully Road	5,200	3.0
F2	Fairplace Furniture Clearance	385 Senter Road	18,200	3.6
F3	Cities Sleepworld Furniture	563 Senter Road	<u>7,500</u>	3.7
	Total:		30,900	
<u>Home Improvement Stores</u>				
H1	OSH	1705 Capitol Expressway	65,000	2.3
H2	Ace Payless Hardware/Rockery	2927 King Road	16,500	2.5
H3	Proposed Lowes	Monterey Highway & Blossom Hill Road	161,700	2.5
H4	Home Depot	635 W Capitol Expressway	145,000	5.0
H5	Home Depot	920 Blossom Hill Road	<u>125,000</u>	5.5
	Total:		513,200	

EXHIBIT III-6 (Cont'd)

**RETAIL ANCHORS SURVEYED
JUNE 2005
EVERGREEN VILLAGE CENTER* --- SAN JOSE, CA**

Ref. No.	Store	Location	Sq. Ft.	Distance From Site
<u>Sporting Goods Stores</u>				
S1	Big 5 Sporting	2149 Tully Road	10,800	3.0
S2	Sportmart	640 Blossom Hill Road	<u>42,000</u>	5.8
	Total:		52,800	
<u>Bookstores</u>				
BK1	Borders Books	925 Blossom Hill Road	<u>23,000</u>	6.4
	Total:		23,000	
<u>Office Supply Stores</u>				
O1	Office Depot	1845 Aborn Square Road	<u>25,000</u>	2.2
	Total:		25,000	
<u>Miscellaneous Retail Anchor Stores</u>				
M1	Factory 2U	2816 White Road	19,800	2.0
M2	Party City	1986 Tully Road	10,100	3.0
M3	Michael's	2040 Tully Road	<u>15,360</u>	3.0
	Total:		45,260	

<u>Summary</u>	
<u>Store Type</u>	<u>Sq. Ft.</u>
Grocery Stores	434,500
Family Clothing Stores	30,000
General Merchandise Stores	1,445,900
Variety Stores	9,000
Bedding & Houseware Stores	10,400
Home Electronics/Appliance Stores	87,800
Furniture Stores	30,900
Home Improvement Stores	513,200
Sporting Goods Stores	52,800
Bookstores	23,000
Office Supply Stores	25,000
Miscellaneous Retail Anchor Stores	<u>45,260</u>
Grand Total:	2,707,760

* Located at 4055 Evergreen Village Square, San Jose, Ca.

Source: Field Survey by Alfred Gobar Associates.

EXHIBIT III-7
NEIGHBORING¹ CENTERS - SAN JOSE, CA

(1) Evergreen Village Center (Subject Site)

Location: Evergreen Village Square & Ruby Ave

Distance from Subject Site²: 0.0 miles

<u>Anchors:</u>	<u>Size (Sq. Ft.)</u>	<u>Address</u>
1 Lunardi's	42,000	4055 Evergreen Village Square
2 Walgreen (UC)	15,068	4095 Evergreen Village Square

<u>In-Line/Pad Tenants</u>	
1 Alliance Title	17 The UPS Store
2 Bank of America	18 Tuscany Real Estate
3 Century 21	19 Washington Mutual
4 Chicago Title	20 Vacant Unit(s):3
5 Cleaners	4075 Evergreen Village Square Unit 110
6 Dance Studio	4075 Evergreen Village Square Unit 120
7 Evergreen Beauty Supply	4055 Evergreen Village Square Unit 100
8 Financial Title	
9 Great Clips	
10 iCare Dentist	
11 Java Junction (Coming Soon)	
12 Marble Slab Creamery (Ice Cream)	
13 Peel's Coffee & Tea (Inside Lunardi's)	
14 Quiznos	
15 Silver Creek (Fitness)	
16 Realty World Country Club	

(2) Evergreen Marketplace

Location: San Felipe Road & Yerba Buena Road

Distance from Subject Site²: 0.6 miles

<u>Anchors:</u>	<u>Size (Sq. Ft.)</u>	<u>Address</u>
1 Longs	24,000	4850 San Felipe Road

<u>In-Line/Pad Tenants</u>	
1 AIM Mail Center	16 Pasta Pomodora FSNA
2 Alliance Title	17 Professia Nails
3 Andiamo's Pizza LSNA	18 Radio Shack
4 Bel Aire Realty	19 Score Learning Center
5 Belleza Salon & Spa	20 Starbucks
6 Casa Castillo Restaurant LSNA	21 Wells Fargo Bank
7 Cold Stone	
8 Curves	
9 Dentist	
10 Dr. Khuu Optometry	
11 Evergreen Marketplace Cleaners	
12 Jamba Juice	
13 Le Boulanger Bakery	
14 McDonald's	
15 Panda Express LSNA	

EXHIBIT III-7 (Cont'd)
NEIGHBORING¹ CENTERS - SAN JOSE, CA

(3) Savemart Center

Location: Aborn Road & San Felipe Road

Distance from Subject Site²: 1.3 miles

<u>Anchors:</u>	Size (Sq. Ft.)	Address
1 Savemart	32,200	3251 San Felipe Road

In-Line/Pad Tenants

1 Bagel Basket	17 Starbucks
2 Bank of Santa Clara	18 State Farm Insurance
3 Blossom's Bows Flowers	19 Susan Nails
4 Castro Hiona Dental	20 Total Health Chiropractic
5 Cellular 2000	21 Union 76 Gas Station
6 Century 21	22 Winchester Auto Parts
7 Evergreen Cleaners	
8 Evergreen Inn FSA	
9 Evergreen Valley Optometry	
10 Frizzy End Hair Salon	
11 Jewelry	
12 Ko Sing Restaurant LSNA	
13 McDonald's	
14 One Hour Photo	
15 Pizza Hut LSA	
16 Pure Water	

(4) Evergreen Valley Center

Location: White Road & Aborn Road

Distance from Subject Site²: 1.3 miles

Anchors:

1 None

In-Line/Pad Tenants

1 Aborn Cleaners	18 Quickie Mart
2 Aborn Nail	19 Social Security Office
3 Adair Realty	20 Sylvan Learning Center
4 Bay Aquarium	21 Taco Bell
5 Check'N Go	22 Tiny Bubbles Smoothies
6 Chiropractic Clinic	23 Valero Gas Station (Under Construction)
7 Cingular Wireless	
8 Evergreen Cleaners	
9 Evergreen Family Practice	
10 Excel Mortgage	
11 Golden Buddha Restaurant FSA	
12 Hair International Salon	
13 Impact Computer Arcade	
14 Laser Disc DVD	
15 LBC Packaging & Shipping	
16 Nilgris Food Market	
17 Optometry	

EXHIBIT III-7 (Cont'd)
NEIGHBORING' CENTERS - SAN JOSE, CA

(5) San Felipe Plaza

Location: White Road & Aborn Road
Distance from Subject Site²: 1.3 miles

Anchors:

1 None

In-Line/Pad Tenants

1 A.L. Liquors	7 Foothill Lounge (Bar)
2 Aborn Oriental Market	8 Sahuayo Michoacan Taqueria LSNA
3 Dance Studio	9 San Felipe Cleaners
4 Dentistry	10 Slicky's Pipe Shack
5 E-Z Mail	11 Tess BBQ-Dinner FSNA
6 E-Z Market	12 Wells Fargo Bank

(6) Evergreen Plaza

Location: Aborn Road & White Road
Distance from Subject Site²: 1.3 miles

Anchors:

	Size (Sq. Ft.)	Address
1 Albertsons	57,100	3270 White Road
2 Longs	25,800	3220 White Road

In-Line/Pad Tenants

1 Aborn Pet Clinic	9 Realty World
2 Blockbuster	10 Round Table Pizza
3 Choi's Karate	11 Sewing & Vacuum
4 Delias Cleaners	12 Shell Gas Station
5 Haircare Salon	13 Shoe Palace
6 Kentucky Fried Chicken	14 Top Care Nails
7 Lees Sandwiches	15 Vacant Unit(s): 1
8 M&L Jewelry	16 Yuri Sushi

(7) Canyon Creek Plaza

Location: Silver Creek Valley Road & Beaumont Canyon Drive
Distance from Subject Site²: 1.8 miles

Anchors:

	Size (Sq. Ft.)	Address
1 Consentinos Market	25,000	5667 Silver Creek Canyon Road

In-Line/Pad Tenants

1 Blockbuster	8 Moniques Draperies & Shades
2 Canyon Creek Cleaners	9 Old Republic Title Company
3 Creekside Patio Bar	10 Orthodontist
4 Dentist	11 Postal Annex
5 Gina Ga Sushi	12 Starbucks
6 Mega Bite Pizza	13 Windermere Realty
7 Moda Salon Spa	

EXHIBIT III-7 (Cont'd)
NEIGHBORING¹ CENTERS - SAN JOSE, CA

(8) Aborn Square

Location: Capitol Expressway & Aborn Road

Distance from Subject Site²: 2.0 miles

<u>Anchors:</u>	Size (Sq. Ft.)	Address
1 Ross	30,000	2950 Aborn Square Road
2 Office Depot	25,000	2926 Aborn Square Road
3 Bally's	NA	

In-Line/Pad Tenants

- 1 Baskin Robins
- 2 Bright Now Dental
- 3 Chiropractic Healthcare
- 4 Coffee Lovers (Coffee Shop)
- 5 Dada FSA
- 6 Darling Nails
- 7 Hair Xpertise Salon
- 8 Liquor Store
- 9 Red Lobster FSA
- 10 Sizzler
- 11 Sunlite Beauty Supply
- 12 Tacos Y Mas LSNA
- 13 Tax Services

(9) Unnamed Older Center

Location: White Road & Quimby Road

Distance from Subject Site²: 2.0 miles

<u>Anchors:</u>	Size (Sq. Ft.)	Address
1 Senter Food 8	20,300	2812 White Road
2 Factory 2U	19,800	2816 White Road

In-Line/Pad Tenants

- 1 Café Nlio (Coming Soon)
- 2 Carl's Jr.
- 3 D&L Dry Cleaners
- 4 Emies Liquors
- 5 Evergreen Donut
- 6 Family Dentistry
- 7 Fast Pizza LSNA
- 8 Green Hills Chiropractic
- 9 Indian Mart
- 10 Justice For Hair Salon
- 11 Magat Store (Market/Conv)
- 12 Mai Lien Video
- 13 Mimis Hair Care
- 14 Pho Cuang (Coming Soon)
- 15 Teddy Bear Cleaners
- 16 Video King

EXHIBIT III-7 (Cont'd)
NEIGHBORING¹ CENTERS - SAN JOSE, CA

(10) Quimby Sqaure

Location: White Road & Quimby Road

Distance from Subject Site²: 2.0 miles

<u>Anchor:</u>	<u>Size (Sq. Ft.)</u>	<u>Address</u>
1 Walgreens	13,900	2799 White Road

(Not part of center, across the street)

In-Line/Pad Tenants

- 1 7-11
- 2 Anarkali Boutique
- 3 Andy's Shoe Repair
- 4 Bagga Palace Groceries
- 5 Chevron Gas Station
- 6 Chien Video
- 7 Cyberbay
- 8 Dragonfly Restaurant FSA
- 9 East Lake Restaurant FSNA
- 10 Evergreen Dentist
- 11 Evergreen Pet Center
- 12 Happy Home Realty
- 13 Hidalgo Properties
- 14 Khalsa Dental Care
- 15 Klondike's Pizza LSA
- 16 Kragen Autoparts
- 17 Land Capitol Realty
- 18 Liquor Store
- 19 Pinnacle Financial
- 20 Quimby Cleaners
- 21 Raj Palace Restaurant FSNA
- 22 Silicon Computers
- 23 Tommy Hair & Nails
- 24 Trine's Café LSA

(11) Silver Creek Marketplace

Location: Capitol Expressway & Silver Creek Boulevard

Distance from Subject Site²: 2.3 miles

<u>Anchor:</u>	<u>Size (Sq. Ft.)</u>	<u>Address</u>
1 Mexican Grill	14,000	1610 Capitol Expressway

In-Line/Pad Tenants

- | | |
|-----------------------------|--------------------------------------|
| 1 Di Lac Cuisine FSNA | 10 Los Altos Dental |
| 2 Dry Cleaners | 11 Mail Plus Advantage |
| 3 Evergreen Best Auto Parts | 12 Pho Y Hi Noodle House |
| 4 Evergreen Doctors | 13 Physical Therapy |
| 5 Evergreen Pet Center | 14 Plaza Dental |
| 6 Eye Q Optometry | 15 Shop'n Save Conv. Market |
| 7 Future Home Realty | 16 Silver Creek Florist |
| 8 HFC Mortgage | 17 Silver Creek Valley Health Center |
| 9 Hollywood Video | 18 Supercuts |

EXHIBIT III-7 (Cont'd)
NEIGHBORING CENTERS - SAN JOSE, CA

(12) Silver Creek Plaza

Location: Capitol Expressway & Silver Creek Road
Distance from Subject Site²: 2.3 miles

<u>Anchor:</u>	<u>Size (Sq. Ft.)</u>	<u>Address</u>
1 OSH	65,000	1705 Capitol Expressway
2 Safeway	42,000	1771 Capitol Expressway
3 Walgreens	14,000	1795 Capitol Expressway

In-Line/Pad Tenants

1 Alpha Cigarettes	14 Perfect Studio
2 Bakers Square FSA	15 Pet Food Express
3 Bank Of America	16 Pho Ly LSNA
4 Cal Realty & Finance	17 Photography
5 Capitol Pure Water	18 Pro Nail Art
6 Cleaners	19 Provident Credit Union
7 Falcata Pottery & Flowers	20 Rent A Center Furniture
8 Le Slies Pool Supply	21 Silver Creek Dental
9 Little Caesar's Pizza	22 Speedee Oil Change
10 Millennium Real Estate	23 Subway
11 Mobile Maxx Communications	24 The Beauty Stop Salon
12 My Tho Restaurant LSNA	25 T-Mobile
13 Payless Shoes	26 Wendy's

(13) El Rancho Shopping Center

Location: Capitol Expressway NO Aborn Road
Distance from Subject Site²: 2.3 miles

<u>Anchor:</u>	<u>Size (Sq. Ft.)</u>	<u>Address</u>
1 Albertsons/Sav-On	66,000	2980 Capital Expressway

In-Line/Pad Tenants

1 First American Title	7 Nail Sensations
2 Jamba Juice	8 Cold Stone
3 Togos	9 Panda Express
4 Starbucks	10 Postal Annex
5 In-N-Out Burger	11 AT&T Wireless
6 Supercuts	12 Pure Beauty

(14) Target Center

Location: Silver Creek Road & Capitol Expressway
Distance from Subject Site²: 2.3 miles

<u>Anchor:</u>	<u>Size (Sq. Ft.)</u>	<u>Address</u>
1 Target	110,200	3155 Capitol Expressway

In-Line/Pad Tenants

1 Beef Noodle LSNA	6 H&R Block
2 Cam Tam Restaurant LSA	7 Hot Millions Pizza LSA
3 Capitol Dental	8 Kragen Auto Parts
4 Chevron Gas Station	9 Mr Chau Donuts
5 Clean Cuts Barber	10 Veterinary Clinic

EXHIBIT III-7 (Cont'd)
NEIGHBORING¹ CENTERS - SAN JOSE, CA

(15) Gould Center

Location: Capitol Expressway & McLaughlin Avenue

Distance from Subject Site²: 2.8 miles

<u>Anchors:</u>	Size (Sq. Ft.)	Address
1 Albertsons	40,000	1031 Capitol Expressway
2 Rite Aid	36,200	1035 Capitol Expressway

In-Line/Pad Tenants

1 Blockbuster	11 Pacific Dental Care
2 California Pure Water	12 Pho Kim Restaurant FSA
3 Century 21	13 Phuong Trinh Video
4 Denny's	14 Quiznos
5 Don Phuong Acupuncture	15 R/T Auto Sports
6 Dons Wines & Liquor	16 Rainbow Cleaners
7 Envision Optometry	17 Round Table Beer & Wine
8 Ly's Sporting & Fishing Goods	18 Starbucks
9 McDonald's	19 Studio 1045 Hair Salon
10 Metro PCS	20 Taco Bell
	21 Travel Agency

(16) Michael's Center

Location: Tully Road & Quimby Road

Distance from Subject Site²: 3.0 miles

<u>Anchors:</u>	Size (Sq. Ft.)	Address
1 Michael's	15,360	2040 Tully Road

In-Line/Pad Tenants

1 Allan Dental Care	6 Red Robin Bake Shop
2 Chiropractic	7 State Farm Insurance
3 Dollar Store	8 Tully Beauty Supply
4 Hair & Skin Beauty Salon	9 Vacant: 3 Units
5 Kein Ciang Restaurant FSA	

(17) Unnamed Center

Location: Tully Road & Quimby Road

Distance from Subject Site²: 3.0 miles

Anchors:

None

In-Line/Pad Tenants

1 3 Star Dental Center	8 Mancor Computers
2 Discount Gift Electronics	9 PNB Bank
3 Expert Watch Repair	10 Pure Water
4 E-Z Cash and Pawn	11 RVIS Insurance
5 Farmers Insurance	12 Saigon Moi Beauty Salon
6 Grace Fox	13 Travel Fast
7 Long Phung Sandwiches LSNA	

**EXHIBIT III-7
NEIGHBORING¹ CENTERS - SAN JOSE, CA**

(18) Tully Corners

Location: Tully Road & Quimby Road

Distance from Subject Site²: 3.0 miles

<u>Anchor:</u>	<u>Size (Sq. Ft.)</u>	<u>Address</u>
1 Food Maxx	57,100	1994 Tully Road
2 Good Guys	16,000	1960 Tully Road
3 Party City	10,100	1986 Tully Road

In-Line/Pad Tenants

- 1 Cathay Bank
- 2 Choice Clothing (Woman)
- 3 Evergreen Eyecare Optometry
- 4 Family Practice Dentistry
- 5 Fashion Tune (Woman)
- 6 Game Shop
- 7 Goveas Restaurant LSA
- 8 Jollibee LSNA
- 9 Kim's Hair & Nails
- 10 NGOC Lan Restaurant FSA
- 11 Papa Murphy's Pizza LSNA
- 12 Payless Shoesource
- 13 Starbucks
- 14 Tomys Teriyake House LSNA
- 15 Tuxedo Fashions
- 16 Vacant Unit(s): 1
- 17 Washington Mutual
- 18 William Pure Water

(19) Unnamed Center

Location: Tully Road & Quimby Road

Distance from Subject Site²: 3.0 miles

<u>Anchor:</u>	<u>Size (Sq. Ft.)</u>	<u>Address</u>
1 Tully Supermarket	9,200	1941 Tully Road

In-Line/Pad Tenants

- 1 Color Tile & Carpet
- 2 Han Kee Restaurant FSA
- 3 Kim Vinh Jewelry
- 4 Lan Video
- 5 Lang Tham Café
- 6 McDonald's
- 7 Model Hair Design
- 8 Tongo Restaurant FSA
- 9 Tully Family Dental
- 10 Vision Care Center

EXHIBIT III-7
NEIGHBORING¹ CENTERS - SAN JOSE, CA

(20) Unnamed Center

Location: Tully Road & Quimby Road

Distance from Subject Site²: 3.0 miles

<u>Anchors:</u>	<u>Size (Sq. Ft.)</u>	<u>Address</u>
1 Big 5 Sporting	10,800	2149 Tully Road
2 Western Appliance	18,600	2155 Tully Road
3 Elegant Furniture	5,200	2245 Tully Road

In-Line/Pad Tenants

1 AACI	4 Medical Beam Institute
2 Delta Imaging Center	5 Network Center Computer/Games
3 Law Offices	6 Realty World

Summary

	<u>Sq. Ft.</u>	<u>Stores</u>
Anchors Total:	830,960	27
Occupied	816,960	26
Vacant	14,000	1
In-Line/Pad:	NA	322
Occupied	NA	314
Vacant	NA	8
Grand Total		
Occupied		340
Vacant		<u>9</u>
		349

Notes:

- ¹ Shopping/retail centers located 2.0 miles and periphery of 2.0 miles (approximately 2.3 miles) of subject site at the intersection of Ruby Avenue and Evergreen Village Square. Retail centers located approximately 3.0 miles from subject site in close proximity of Eastridge Mall also included.

- ² Represents approximate lateral distance from subject site at the intersection of Ruby Avenue and Evergreen Village Square.

Source: Alfred Gobar Associates.

EXHIBIT III-8

RETAIL SALES POTENTIAL FOR ADDITIONAL ANCHOR STORE MERCHANDISERS
EVERGREEN VILLAGE CENTER* --- SAN JOSE, CA
JUNE 2005

Anchor Store Type	Floor Space Parameters (Sq Ft)		Near-Term Market		Within 5 Years		Threshold Market
	Typical Size Range Of Merchandisers	Targeted Store Size	Effective Sales/Sq Ft	Anchor Feasibility	Effective Sales/Sq Ft	Anchor Feasibility	Min Threshold Population
Food Store	20,000 - 65,000	40,000	\$228	Not Feasible	\$280	Not Feasible	110,000 2-Mile
General Merchandise	90,000 - 250,000	90,000	\$141	Not Feasible	\$147	Not Feasible	530,000 5-Mile
Family Clothing	10,000 - 30,000	15,000	\$334	Very Strong	\$349	Very Strong	Existing Pop.
Limited Price Variety Store	10,000 - 22,000	20,000	\$415	Very Strong	\$419	Very Strong	Existing Pop.
Bedding & Housewares	15,000 - 30,000	20,000	\$586	Very Strong	\$612	Very Strong	Existing Pop.
Home Electronics & Appliances	15,000 - 50,000	30,000	\$235	Not Feasible	\$232	Not Feasible	530,000 5-Mile
Home Furnishings Stores	10,000 - 40,000	20,000	\$207	Very Strong	\$216	Very Strong	Existing Pop.
Home Improvement Store	90,000 - 140,000	110,000	\$275	Competitive	\$288	Good	340,000 5-Mile
Sporting Goods Store	10,000 - 40,000	20,000	\$283	Very Strong	\$296	Very Strong	Existing Pop.
Bookstores	12,000 - 35,000	25,000	\$715	Very Strong	\$747	Very Strong	Existing Pop.
Office Supply Store	15,000 - 40,000	20,000	\$986	Very Strong	\$1,031	Very Strong	Existing Pop.
Misc/Specialty Retail Stores	10,000 - 40,000	20,000	\$1,741	Very Strong	\$910	Very Strong	Existing Pop.
Feasible Anchor Supply:			160,000	Sq. Ft.	160,000	Sq. Ft.	
Current/Projected Population:			2-Miles	55,600	2-Miles	72,100**	
			3-Miles	105,600	3-Miles	122,100	
			5-Miles	316,067	5-Miles	330,400	

* Located at 4055 Evergreen Village Square, San Jose, California.

** Includes optimistic population increase expected from residential development noted on Exhibit III-3.

Source: Alfred Gobar Associates

EXHIBIT III-9

**GROCERY STORE ANCHORS
JUNE 2005
EVERGREEN MARKETPLACE* --- SAN JOSE, CA**

Ref. No.	Store	Location	Sq. Ft.	Distance From Site
<u>Grocery Stores</u>				
G1	Lunardi's	4055 Evergreen Village Square	42,000	0.6
G2	Consentinos	5667 Silver Creek Canyon Road	25,000	1.3
G3	Albertsons	3270 White Road	57,100	1.6
G4	Savemart	3251 White Road	32,200	1.6
G5	Senter Food 8	2812 White Road	20,300	2.3
G6	Safeway	1771 Capitol Expressway	42,000	2.3
G7	Albertsons/Sav-On	2980 Capitol Expressway	66,000	2.6
G8	Albertsons	1031 Capitol Expressway	40,000	2.9
G9	Food Maxx	1972 Tully Road	57,100	3.4
G10	Lucky 7	1675 Tully Road	28,200	3.5
G11	Lion Market	1710 Tully Road	24,600	3.5
Total:			434,500	

* Located at 4850 San Felipe Road, San Jose, Ca.

Source: Field Survey by Alfred Gobar Associates.

EXHIBIT III-10

**RETAIL ANCHORS SURVEYED
JUNE 2005
EVERGREEN MARKETPLACE* -- SAN JOSE, CA**

Ref. No.	Store	Location	Sq. Ft.	Distance From Site
<u>Family Clothing Stores</u>				
FC1	Ross	2950 Aborn Square Road	30,000	1.4
Total:			30,000	
<u>General Merchandise Stores</u>				
GM1	Target	3155 Silver Creek	110,200	2.6
GM2	JC Penney	2200 Tully Road	246,000	2.7
GM3	Macy's	2200 Tully Road	175,000	2.7
GM4	Sears	2200 Tully Road	251,000	2.7
GM5	Costco	2201 Senter Road	159,000	3.7
GM6	Wal-Mart	5502 Monterey Road	150,000	3.7
GM7	Mervyn's	2855 Story Road	85,000	4.8
GM8	Wal-Mart	777 Story Road	173,000	5.2
GM9	Kohls	2323 McKee Road	96,700	6.4
Total:			1,445,900	
<u>Variety Stores</u>				
V1	Big Lots	1048 White Road	9,000	4.8
Total:			9,000	
<u>Bedding & Houseware Stores</u>				
BH1	Anna's Linens	435 N Capitol Road	10,400	6.5
Total:			10,400	
<u>Home Electronics/Appliance Stores</u>				
E1	Circuit City	2217 Quimby Road	33,200	2.7
E2	Good Guys	1960 Tully Road	16,000	3.4
E3	Western Appliance	2155 Tully Road	18,600	3.4
E4	Good Guys	886 Blossom Hill Road	20,000	5.5
Total:			87,800	
<u>Furniture Stores</u>				
F1	Fairplace Furniture Clearance	385 Senter Road	18,200	3.2
F2	Cities Sleepworld Furniture	563 Senter Road	7,500	3.3
F3	Elegant Furniture	2245 Tully Road	5,200	3.4
Total:			30,900	
<u>Home Improvement Stores</u>				
H1	OSH	1705 Capitol Expressway	65,000	2.3
H2	Ace Payless Hardware/Rockery	2927 King Road	16,500	2.5
H3	Proposed Lowes	Monterey Highway & Blossom Hill Road	161,700	2.5
H4	Home Depot	635 W Capitol Expressway	145,000	5.0
H5	Home Depot	920 Blossom Hill Road	125,000	5.5
Total:			513,200	

EXHIBIT III-10 (Cont'd)

RETAIL ANCHORS SURVEYED
JUNE 2005
EVERGREEN MARKETPLACE* -- SAN JOSE, CA

Ref. No.	Store	Location	Sq. Ft.	Distance From Site
<u>Sporting Goods Stores</u>				
S1	Big 5 Sporting	2149 Tully Road	10,800	3.4
S2	Sportmart	640 Blossom Hill Road	<u>42,000</u>	5.6
Total:			<u>52,800</u>	
<u>Bookstores</u>				
BK1	Borders Books	925 Blossom Hill Road	<u>23,000</u>	6.1
Total:			<u>23,000</u>	
<u>Office Supply Stores</u>				
O1	Office Depot	1845 Aborn Square Road	<u>25,000</u>	2.3
Total:			<u>25,000</u>	
<u>Miscellaneous Retail Anchor Stores</u>				
M1	Factory 2U	2816 White Road	19,800	2.3
M2	Party City	1986 Tully Road	10,100	3.4
M3	Michael's	2040 Tully Road	<u>15,360</u>	3.4
Total:			<u>45,260</u>	

Summary	
<u>Store Type</u>	<u>Sq. Ft.</u>
Grocery Stores	434,500
Family Clothing Stores	30,000
General Merchandise Stores	1,445,900
Variety Stores	9,000
Bedding & Houseware Stores	10,400
Home Electronics/Appliance Stores	87,800
Furniture Stores	30,900
Home Improvement Stores	513,200
Sporting Goods Stores	52,800
Bookstores	23,000
Office Supply Stores	25,000
Miscellaneous Retail Anchor Stores	<u>45,260</u>
Grand Total:	<u>2,707,760</u>

* Located at 4850 San Felipe Road, San Jose, Ca.

Source: Field Survey by Alfred Gobar Associates.

EXHIBIT III-11

RETAIL SALES POTENTIAL FOR ADDITIONAL ANCHOR STORE MERCHANTISERS
EVERGREEN MARKETPLACE* --- SAN JOSE, CA
JUNE 2005

Anchor Store Type	Floor Space Parameters (Sq Ft)		Near-Term Market		Within 5 Years		Threshold Market
	Typical Size Range Of Merchandisers	Targeted Store Size	Effective Sales/Sq Ft	Anchor Feasibility	Effective Sales/Sq Ft	Anchor Feasibility	Min Threshold Population
Grocery Stores: Option 1	20,000 - 65,000	20,000	\$202	Not Feasible	\$288	Not Feasible	90,000 2-Mile
Option 2	20,000 - 65,000	30,000	\$193	Not Feasible	\$275	Not Feasible	95,000 2-Mile
Option 3	20,000 - 65,000	40,000	\$185	Not Feasible	\$263	Not Feasible	100,000 2-Mile
Option 4	20,000 - 65,000	60,000	\$170	Not Feasible	\$242	Not Feasible	105,000 2-Mile
General Merchandise	90,000 - 250,000	90,000	\$140	Not Feasible	\$147	Not Feasible	520,000 5-Mile
Family Clothing	10,000 - 30,000	15,000	\$338	Very Strong	\$353	Very Strong	Existing Pop.
Limited Price Variety Store	10,000 - 22,000	20,000	\$416	Very Strong	\$420	Very Strong	Existing Pop.
Bedding & Housewares	15,000 - 30,000	20,000	\$586	Very Strong	\$613	Very Strong	Existing Pop.
Home Electronics & Appliances	15,000 - 50,000	30,000	\$239	Not Feasible	\$235	Not Feasible	510,000 5-Mile
Home Furnishings Stores	10,000 - 40,000	20,000	\$191	Very Strong	\$199	Very Strong	Existing Pop.
Home Improvement Store	90,000 - 140,000	110,000	\$271	Competitive	\$275	Competitive	350,000 5-Mile
Sporting Goods Store	10,000 - 40,000	20,000	\$272	Very Strong	\$284	Very Strong	Existing Pop.
Bookstores	12,000 - 35,000	25,000	\$685	Very Strong	\$715	Very Strong	Existing Pop.
Office Supply Store	15,000 - 40,000	20,000	\$978	Very Strong	\$1,022	Very Strong	Existing Pop.
Misc/Specialty Retail Stores	10,000 - 40,000	20,000	\$1,775	Very Strong	\$912	Very Strong	Existing Pop.
Feasible Anchor Supply:			160,000 Sq. Ft.		160,000 Sq. Ft.		
Current/Projected Population:			2-Miles 41,500		2-Miles 59,100**		
			3-Miles 96,500		3-Miles 112,800		
			5-Miles 311,200		5-Miles 325,200		

* Located at 4850 San Felipe Road, San Jose, Ca.

** Includes optimistic population increase expected from residential development noted on Exhibit III-3.

Source: Alfred Gobar Associates

EXHIBIT III-12

**IN-LINE DEMAND ANALYSIS FOR NEIGHBORHOOD ORIENTED CENTER
2.0-MILE TRADE AREA*
SAN JOSE (EVERGREEN), CALIFORNIA**

Storefront Operation	Storefront Operations Demanded	Current Trade Area Supply				Residual Demand	Share Of Residual Required	Feasible Store Types?
		Independent Inline Stores	Franchised Inline Stores	Anchor Stores	Total No. of Stores			
Auto Parts & Accessories	4.5	1	1	0	2	2.5	40%	Yes
Tire Dealers	2.4	0	0	0	0	2.4	43%	Yes
Furniture Stores	4.2	0	0	0	0	4.2	24%	Yes
Misc. Home Furnishings	2.9	0	0	0	0	2.9	34%	Yes
Appliance, Television & Elect.	5.6	1	2	0	3	2.6	39%	Yes
Computer & Software Stores	5.2	1	0	0	1	4.2	24%	Yes
Misc. Building Materials	4.4	0	0	0	0	4.4	23%	Yes
All Other Gas Stations	7.3	1	1	0	2	5.3	19%	Yes
Women's Clothing Stores	4.6	1	0	0	1	3.6	28%	Yes
Shoe Stores	3.8	1	0	0	1	2.8	35%	Yes
Jewelry Stores	4.6	2	0	0	2	2.6	38%	Yes
Sporting Goods Stores	3.5	0	0	0	0	3.5	29%	Yes
Gift, Novelty & Souvenir Stores	3.1	0	0	0	0	3.1	32%	Yes
Miscellaneous Retail	2.9	0	0	0	0	2.9	35%	Yes
Insurance Agents/Brokers**	13.5	0	1	0	1	12.5	8%	Yes
Real Estate Agents & Brokers**	10.3	6	2	0	8	2.3	43%	Yes
Real Estate Related Activities**	12.3	6	0	0	6	6.3	16%	Yes
Law Offices**	23.7	0	0	0	0	23.7	4%	Yes
Accounting/Tax Offices**	12.9	1	0	0	1	11.9	8%	Yes
Architectural/Eng. Services**	17.7	0	0	0	0	17.7	6%	Yes
Specialized Design Services**	5.3	0	0	0	0	5.3	19%	Yes
Employment Services**	5.3	0	0	0	0	5.3	19%	Yes
Travel Agencies**	5.2	0	0	0	0	5.2	19%	Yes
Ambulatory Health Care**	55.3	16	0	0	16	39.3	3%	Yes
Child Day Care Services	9.7	0	0	0	0	9.7	10%	Yes
Full-Service Rest (No Alcohol)	7.0	2	0	0	2	5.0	20%	Yes
Full-Service Rest. (Alcohol)	19.9	13	2	0	15	4.9	20%	Yes
Ltd-Service Rest. (No Alcohol)	29.1	11	7	0	18	11.1	9%	Yes
Drinking Establishments	4.4	2	0	0	2	2.4	41%	Yes
Automotive Repair/Maint.	23.4	0	0	0	0	23.4	4%	Yes
Electronic/Precision Repair	3.3	1	0	0	1	2.3	43%	Yes
Beauty Salons	13.4	8	0	0	8	5.4	19%	Yes
116 Store Types					166			32 Stores

* Evergreen Village Center represents center of 2-mile trade area.

** Does not include supply located in multi-tenant office buildings

Source: Alfred Gobar Associates.

Appendix

APPENDIX I

Attachment 3

GUIDING PRINCIPLES FOR LAND USE AND TRANSPORTATION PLANNING IN EVERGREEN

Completed 11-19-03

Note: The Guiding Principles are organized into Key Outcomes/Desired Results and related objectives/strategic approaches to achieve the Key Outcomes. The Key Outcomes are numbered to facilitate discussion; no priority is implied by the numbers. The Key Outcomes are intended to work together to provide a macro-perspective, integrated, holistic, and comprehensive systems view of Evergreen's future. The community also voiced interest in the general concepts of flexibility, adaptability, and measurable objectives. For purposes of this document, "new development" includes development on vacant land as well as the redevelopment of already built properties.

Key Outcome #1: New development should follow the "sustainability" principles of equity, environment and economic development.

Equity

- Promote diversity within neighborhoods.
- Welcome people of all ages, cultures, and socio-economic backgrounds.
- Involve the community in land use decision-making.

Environment

- Protect the environment through energy and water conservation, alternative energy sources (e.g., solar), "greenbuilding," and other sustainability approaches.
- Protect wildlife corridors and other habitats where appropriate and beneficial.
- Maintain the Greenline/Urban Growth Boundary in its existing location.

Economic Development

- Create economic development opportunities for businesses of all sizes and types, consistent with the City's overall economic development goals.

Key Outcome #2: All new development should be high quality and aesthetically pleasing.

- Ensure new development is designed with high level of architectural detail, innovative urban design, and high quality materials.
- Diversify architectural styles.
- Minimize the obstruction of views.
- Ensure new development is compatible (in terms of design, density, massing, etc.) to adjacent properties and is well-integrated with existing neighborhoods and surroundings.
- Ensure new single-family house sizes are commensurate with the size of the lot and nearby housing developments.
- Locate (i.e., set back) buildings appropriate distances from the sidewalk to create desired neighborhood/community character, landscaping, and friendly and safe pedestrian environment.
- Coordinate and integrate land use planning between land uses (e.g., residential, civic/school/commercial,

APPENDIX I (Cont'd)

GUIDING PRINCIPLES

Completed 11-19-03

Page 2

etc.) to address access, parking, pedestrian connections, and other issues.

- Maintain properties in good condition.
- Ensure new development on larger properties transitions in increasing height and density away from nearby existing lower intensity development.
- Provide adequate parking for all residents and their guests within new residential developments.
- Encourage the renovation, rehabilitation, and revitalization of commercial and residential properties.
- Create safe, well-lit places.
- Beautify the community (i.e., improve the overall aesthetics) of Evergreen through tree plantings, utility undergrounding, and other means.
- Use photo simulation and other three dimensional techniques to simulate new development and its potential impacts to neighborhoods (i.e., increases in height) and the transportation system.

Key Outcome #3: Infrastructure and services should support the planned levels of residential and commercial/retail/office development.

Schools

- Ensure adequate capacity at Evergreen schools without sacrificing a quality educational environment.
- Foster neighborhood schools.
- Institute traffic calming, especially near schools.

Auto Transportation

- Receive funding commitments to construct major transportation infrastructure, including Highway 101 improvements.
- Create a traffic policy to maintain the flow of vehicular traffic on Evergreen streets without compromising livability and other modes of travel (e.g., bicycles, pedestrians, and transit).
- Attempt to minimize auto trips by locating jobs, housing, businesses, and services within close proximity to one another.
- Foster a "reverse commute".
- Consider a grid street system for large development sites, connecting to the surrounding street network.
- Consider roundabouts instead of traffic signals.

Bus and Rail Transit

- Determine funding mechanisms to construct light rail.
- Encourage transit service that is fast, convenient, frequent, reliable, comfortable, and safe (including the locations of stops/stations).
- Utilize existing public transit system to the greatest extent possible.

Bicycle and Pedestrian Travel

- Create a rich network of safe, well-lit and defensible pedestrian and bicycle connections across neighborhoods, along creeks, and to key destinations (including transit stations) in Evergreen.

APPENDIX I (Cont'd)

GUIDING PRINCIPLES

Completed 11-19-03

Page 3

- Ensure adequate sidewalk widths, street trees, lighting, and other features to facilitate walking.
- Minimize walking distances to services and public transportation (goal: 5 to 10 minutes).

Parks, Trails, and Open Spaces

- Establish parks, trails, community gardens, and other open spaces that provide recreation and green areas to support existing and future residents and workers.
- Preserve current open space uses to the extent possible.

Libraries and Other Community Facilities

- Provide libraries, community/youth/senior centers, and other services to support the existing and projected population.

Key Outcome #4: Increase the overall livability of Evergreen by fostering vibrant commercial/business, mixed use, and residential areas linked by various transportation modes and community amenities.

- Add restaurants, post offices, health care facilities (e.g., emergency rooms), and other neighborhood/commercial services to Evergreen, east of Highway 101.
- Add entertainment uses, including performance venues, in appropriate locations.
- Maintain, expand, and create Farmer's Markets.
- Introduce mixed use development, including residential/retail or

residential/office/retail in the same building.

- Create opportunities for non-profits and community-based organizations to locate in Evergreen.
- Create opportunities for people to meet and socialize in public places, businesses, recreation areas, etc.
- Promote the enjoyment of people and the aesthetics of the area.

Key Outcome #5: Create housing opportunities for a wide range of household types and income levels.

- Establish development opportunities for affordable and mixed income housing to meet the housing needs of all stages of life (single, married, family, "empty nester," and senior).
- Create opportunities for a range of different housing types (single-family, apartments, condominiums, live/work, etc.).
- Mix housing types within a single development site.
- Create opportunities for both home ownership and rental units.

Key Outcome #6: Apply the concepts of Transit-Oriented Development near future transit stations.

- Maximize the synergy of the planned transit investment by adding high density residential, mixed use (i.e., residential/industrial/commercial/retail), and job-generating development that is

APPENDIX I (Cont'd)

GUIDING PRINCIPLES

Completed 11-19-03

Page 4

- oriented to the pedestrian and transit users.
- Balance the mix of uses, including a ground floor retail district oriented to transit stations and civic uses.
- Design the buildings so that residents, workers, shoppers, and others find transit convenient and attractive.
- Place buildings close to the street, consistent with Key Outcome #2, bullet 6 for non-transit areas.
- Orient the buildings and their entries to the street.

Source: City of San Jose; Alfred Gobar Associates.

File: 3222-San Jose-Guiding Principles 06-05

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

San José City College • Evergreen Valley College

APPENDIX II

RECEIVED
OCT 28 1996

CITY OF SAN JOSE
PLANNING DEPARTMENT

Chancellor
Geraldine A. Evans, Ph.D.

4750 San Felipe Road
San Jose, CA 95135-1599
Phone: 408-274-6700

October 23, 1996

Mr. Gary Schoennauer
Director of Planning
City of San Jose
801 North First Street, Room 400
San Jose, CA 95110

Re: GP 96-8-1

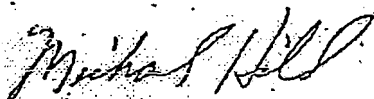
Dear Mr. Schoennauer,

Thank you for meeting with us yesterday to discuss our General Plan Amendment application. The college district wishes to formally modify our General Plan Amendment request to be more responsive to the concerns identified in the staff report and expressed by Councilwoman Woody and the Evergreen community. We are requesting that our proposal GP 96-8-1 be revised from 16 acres of neighborhood commercial to 6 acres. As indicated at our meeting, the district's intent would be to develop an approximate 60,000 square foot neighborhood retail center, restricting a major anchor to 20,000 square feet.

The proposed amendment addresses the concern regarding the scope and scale of the project and its compatibility with the rural character of the surrounding area. Very importantly, by excluding a full service grocery operation, the revised amendment is intended to complement and not adversely impact the commercial Village Center in the Evergreen planned residential community.

Our intention is to work cooperatively with the City administration, Councilwoman Woody and the community to bring about a land use that will benefit everyone. We appreciate your consideration of our revised amendment.

Sincerely,



Michael Hill
Vice Chancellor

MH:cf
cc: Councilwoman Alice Woody

Governing Board

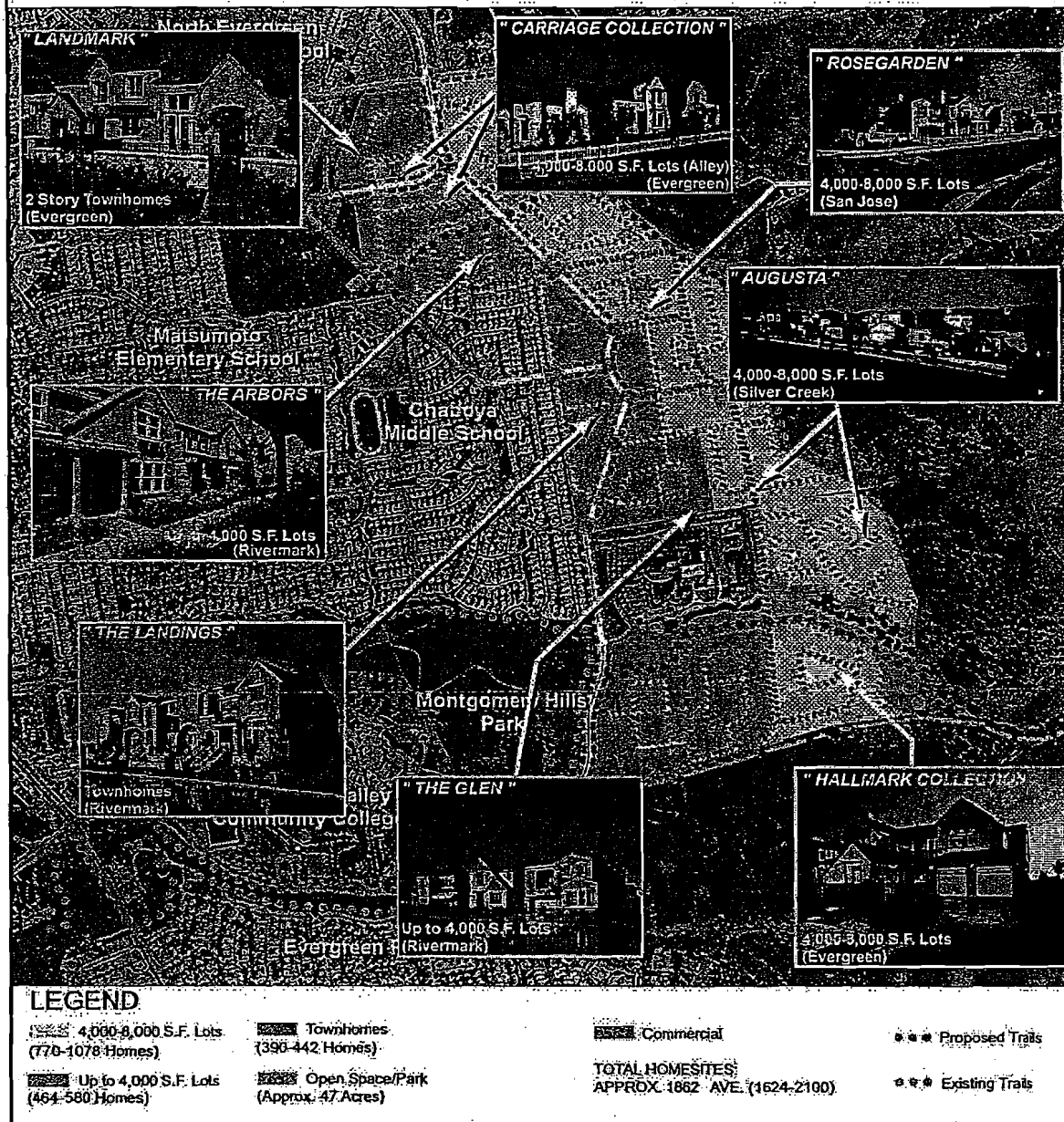
Yolanda P. Estrera • Sue Ferdig • Maria Fuentes • Richard Hobbs • George Melendez • Richard K. Tanaka • Ken Ycager

179b

**APPENDIX III
EVERGREEN CAMPUS INDUSTRIAL SITES
PROPOSED DEVELOPMENT OPTIONS**

Industrial Site Opportunity Sites

September 22, 2004



**EVERGREEN SMART GROWTH PROJECT
INDUSTRIAL SITES**



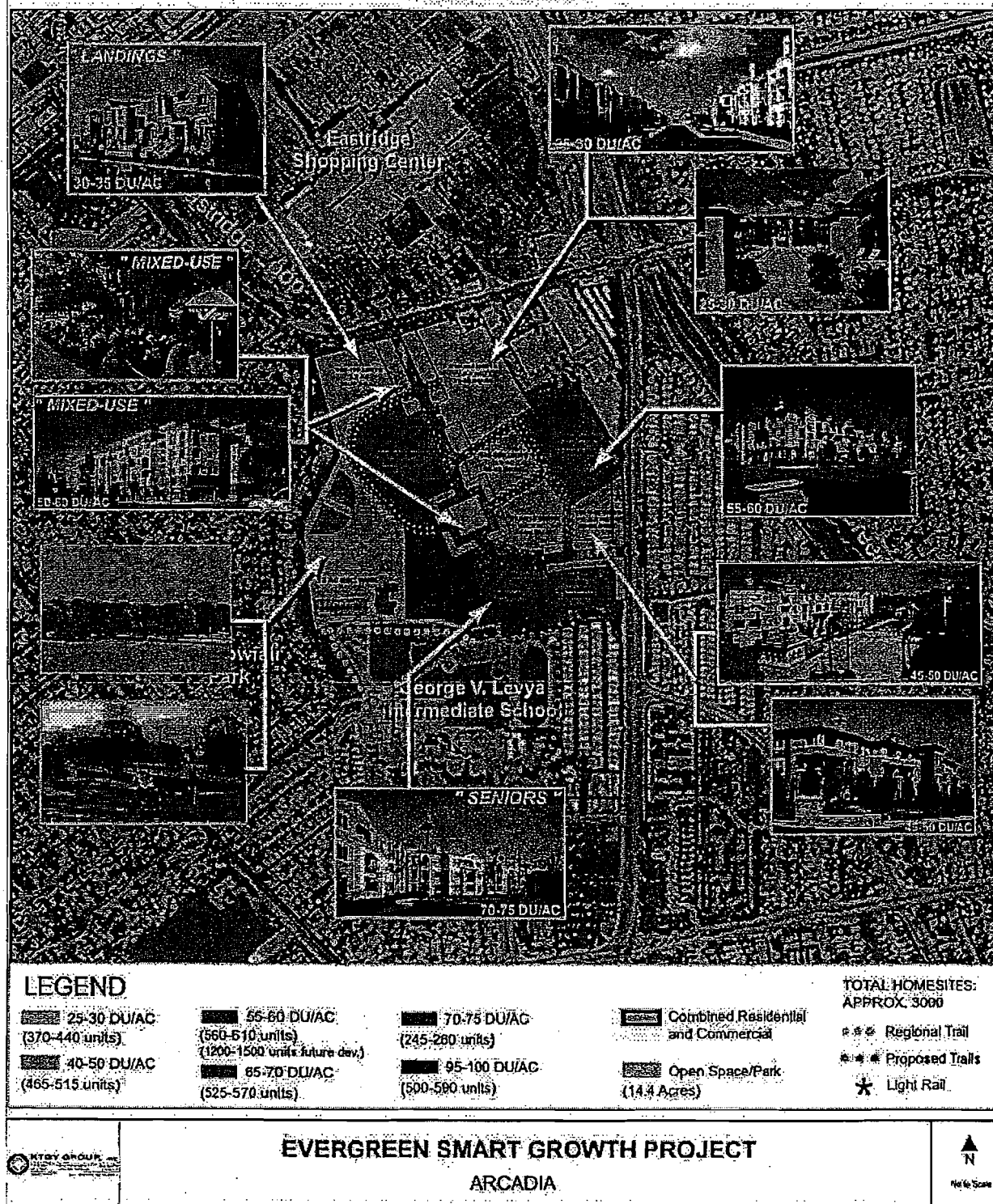
Source: City of San Jose; Alfred Gobar Associates.

File: 3222-San Jose-Planning Maps

APPENDIX IV
EVERGREEN ARCADIA SITES
PROPOSED DEVELOPMENT OPTIONS

Arcadia Opportunity Site

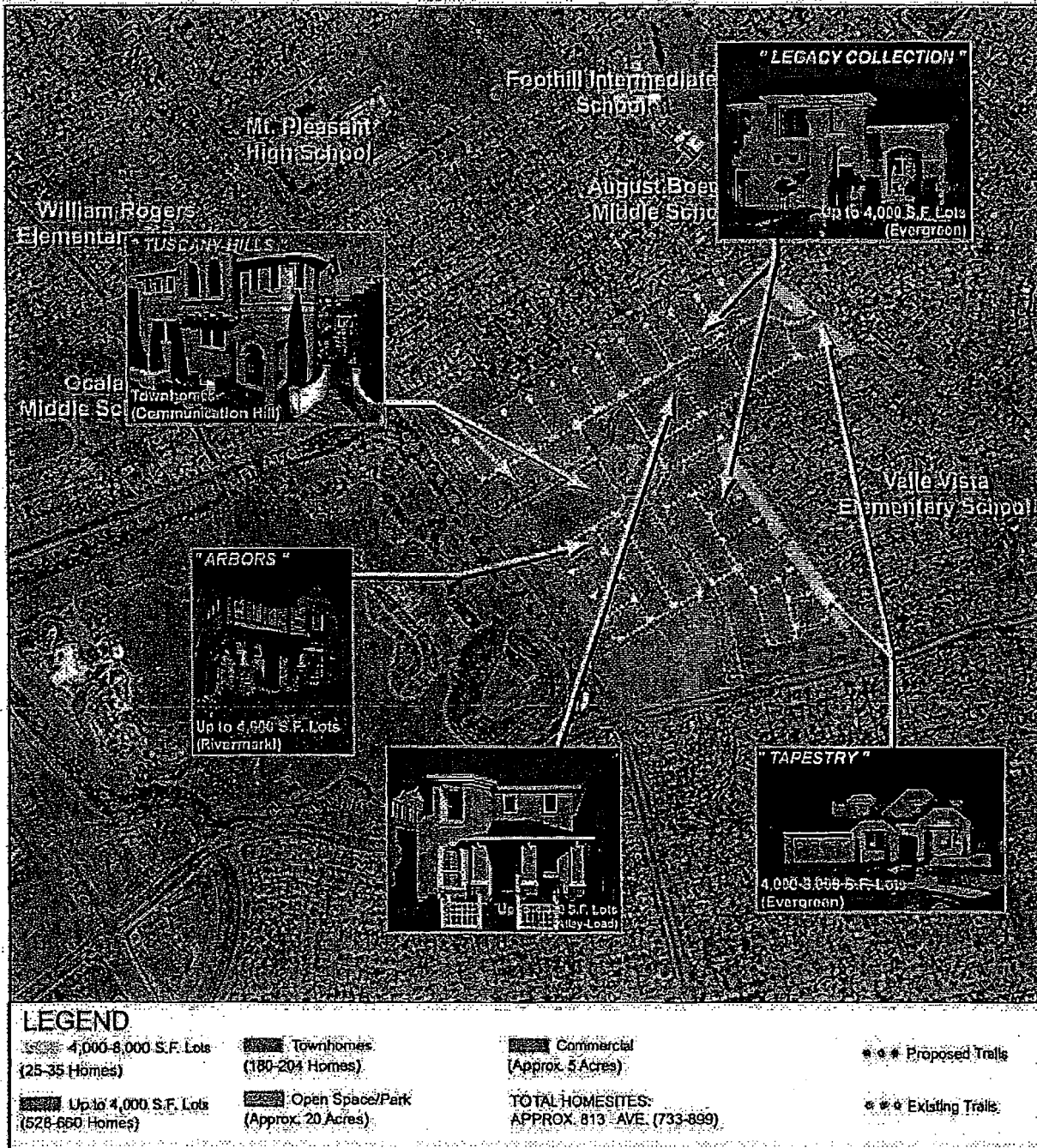
October 6, 2004



**APPENDIX V
EVERGREEN PLEASANT HILL GOLF COURSE SITES
PROPOSED DEVELOPMENT OPTIONS**

Pleasant Hills Golf Course Opportunity Site

September 22, 2004



KB HOME

**EVERGREEN SMART GROWTH PROJECT
PLEASANT HILLS GOLF COURSE**



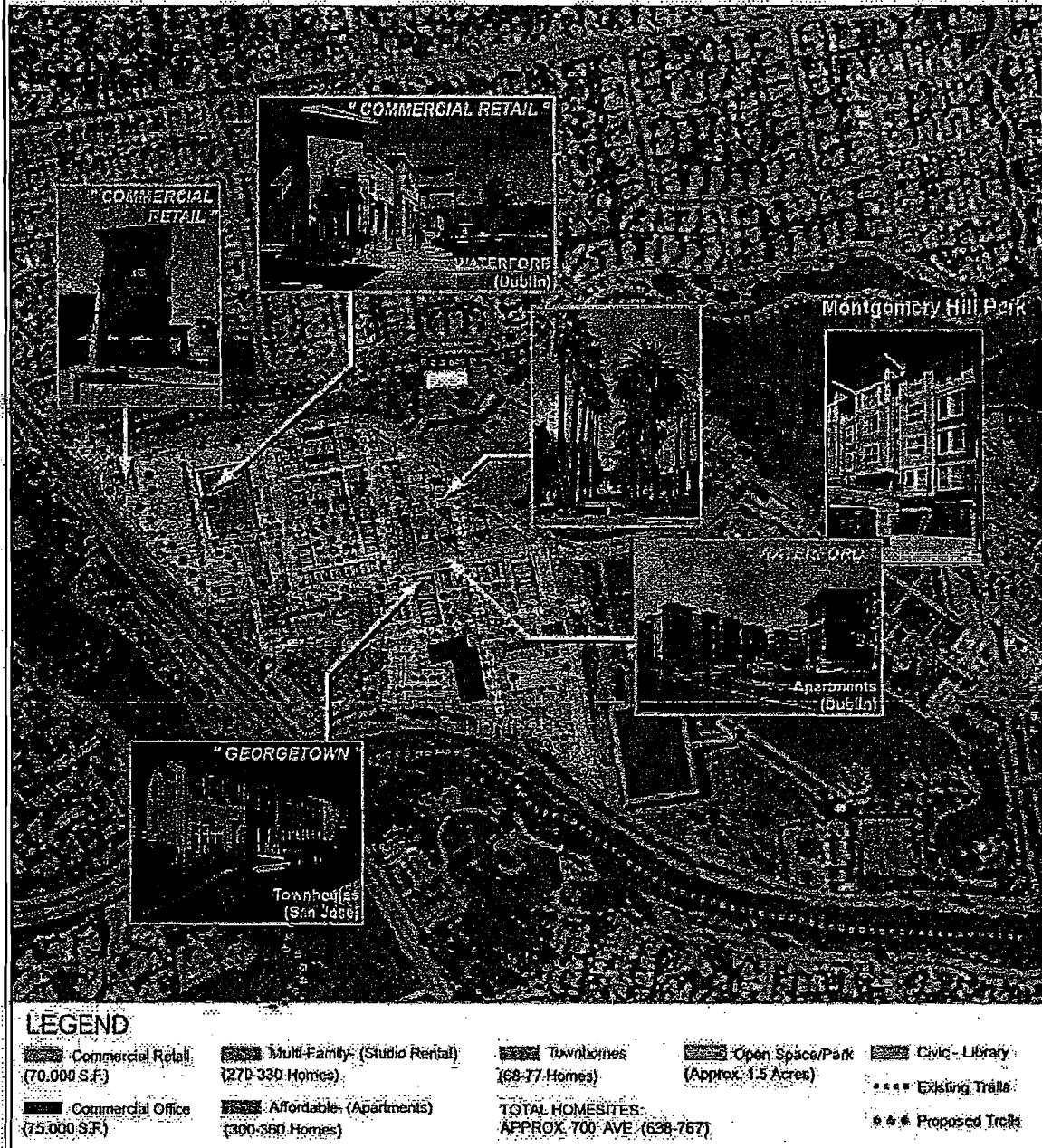
Source: City of San Jose; Alfred Gobar Associates.

File: 3222-San Jose-Planning Maps

**APPENDIX VI
EVERGREEN COMMUNITY COLLEGE SITES
PROPOSED DEVELOPMENT OPTIONS**

EVCC Opportunity Site

September 22, 2004



**EVERGREEN SMART GROWTH PROJECT
EVERGREEN COMMUNITY COLLEGE SITE**



Source: City of San Jose; Alfred Gobar Associates.

File: 3222-San Jose-Planning Maps